

ROYAL COMMISSION ON INDIAN FINANCE AND  
CURRENCY.

APPENDICES TO THE FINAL REPORT  
OF  
THE COMMISSIONERS.

(THIRD VOLUME OF APPENDICES.)

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Presented to both Houses of Parliament by Command of His Majesty.

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INDIAN FINANCE AND CURRENCY.

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# ROYAL COMMISSION ON INDIAN FINANCE.

## APPENDICES TO THE FINAL REPORT.

### APPENDIX XXX.

#### STATEMENT OF EVIDENCE SUBMITTED BY MR. VIDYA SAGAR PANDYA, SECRETARY OF THE INDIAN BANK, LTD., MADRAS.

#### THE LOCATION AND MANAGEMENT OF THE GENERAL BALANCES OF THE GOVERNMENT OF INDIA.

1. *Introductory.*—A comparative statement of balances (see *Statement I.*) of the Government of India ought to enable any student of Economics to judge that—

- (a) They have been keeping larger balances than they can manage with, and that the large increase in recent years, both in India and England, has been quite disproportionate to the growth of their own transactions.
- (b) Comparing the distribution of balances in England and India it is evident that the balances in England have been greater than in India.
- (c) On the other hand, in view of the large reserves with the Secretary of State for India, his balances ought to have been smaller.
- (d) Notwithstanding these inflated balances floating debts were renewed and fresh loans were issued often in advance of the time when the money was actually required.
- (e) This has involved the payment of interest at a higher rate on the debt, while the balances have only been earning a comparatively low rate of interest.

All this could be avoided by the exercise of greater vigilance.

#### USE OF BALANCES.

2. *Balances, how used in the past.*—The Secretary of State for India has been—

- (a) Lending these balances against securities at a low rate of interest in England and not in India; and
- (b) Placing the cash balances with private banks (in England) out of India without any securities.

3. The balances of the Government of India ought not to be allowed to swell or to be used for investments abroad to earn interest. They should be kept as low as possible, consistent with safety. Enormous budget surpluses are wrong and wasteful.

The current balances should be kept in India until required for the purposes of the Government and in order to make money easy when the Indian market most requires it.

4. *How and when to be used hereafter.*—They ought to be lent in India against approved securities, not only to the Presidency Banks but to all other banks of standing.

At present the Presidency Banks get a certain portion of Government balances free of interest and the Exchange Banks get deposits at interest in London. It is the Indian Banking Institutions who do not get any portion of Indian public money.

5. The Presidency Banks should, in common with other banks, be required to lodge approved securities, if they require any larger sums than the

ordinary balances provided for under the present arrangement with the Government.

6. With a view to encourage banking facilities at places where there are no branches of any Presidency Bank the Government ought to keep a minimum balance with any other approved bank, which offers securities to guarantee Government accounts, for a reasonable period. This is a concession the Presidency Banks now get without any securities.

7. The Presidency Banks are interested in keeping high rates so as to earn dividends for their shareholders, and they would not avail themselves of the facilities for getting monies at the bank rate from the Government; but advances to other banks of some standing in India will reduce the rate of discount and prevent the Presidency Banks raising their official rate.

8. The advances can easily be made in India as the Government balances rise from December to March and the money is particularly required for trade purposes at about that time. The balances begin to fall from about April to November when they are at about the minimum. The trade requirements decrease during this period and thus about the time when the Government balances run low the banks can repay the advances which the Government may then require.

9. *How to further ease the money market during the tight season.*—Even if the Government Treasury balances are insufficient to allow advances being made on the deposit of Government securities the Government might undertake to make these advances in the form of currency notes at a reasonable rate of interest and on such terms (as to amount and period) as may be considered necessary by way of precaution, holding the approved securities temporarily as a part of the Paper Currency Reserve. This would keep down the bank rate and relieve the temporary pressure on the money market without locking up the Paper Currency Reserve in fixed securities or disturbing the specie (gold) holdings. In this way the currency will also become more elastic.

10. *Easing the London money market.*—There is the further question of easing the London money market in order to finance Indian trade.

The resources of the London money market are so great that they do not stand in need of Government of India balances. Of course they would welcome money from any quarter. The London money market would easily adjust itself if the balances were withdrawn. Any withdrawal of balances "is a mere ripple on the surface of commercial London but the same transaction dominates the whole condition of money in India." The Indian revenues should not be utilised for the purposes of the London money market. Nor would the Indian export market be substantially affected by the withdrawal of the Indian balances from London. The trade conditions would improve by the utilisation of the balances in India more than by lending them in the London market. The London market does not employ the money for Indian trade only.

By making the balances available in India, Indian trade would be directly benefitted, whereas the results of the other method are very indirect and doubtful.

11. *Control of balances.*—The despatch from the Secretary of State (Lord Salisbury) to Government of India, No. 225, dated 6th May 1875 in paragraph 17, contains the following passage :—

"It will be competent for the Financial Department either to retain it (the money) in the Treasury or to lend it for short terms under suitable conditions as to interest and security."

Again, the Secretary of State for India in his despatch No. 87 (Financial), dated May 1899, confirms the above as under :—

"I am not sure that I understand the reason why your Government solicit my sanction to such an arrangement. The management of cash balances in India is entirely within your discretion. When it was proposed to institute a Reserve Treasury in order to guard against the risk of public inconvenience on the occurrence of an emergency, the Marquis of Salisbury in his despatch of 6th May 1875, No. 225, though not approving precisely of

the suggestions laid before him, left the matter in the hands of the Government of India, observing that it would be competent for the Financial Department either to retain the money so reserved in the Treasury or to lend it for short terms under suitable conditions as to interest and security."

(a) In view of these pronouncements it is amusing to see the Government of India retaining the money in their Treasuries and the Secretary of State lending it (not for "short terms under suitable conditions as to interest and security" as laid down by him) for long periods on a low rate of interest, and even without security.

(b) The Secretary of State when he incurs any liabilities for India does not pledge the Imperial credit. The Government of India bears all the responsibility; but all the balances of India are used by the Empire generally, India only excepted.

The Secretary of State for India is at present too largely dominated by the influence of the great financial interests in England.

(c) There should be some kind of financial autonomy in the management and location of the general balances and the reserves of the Government of India. India should be treated in this respect in the same way as the self-governing Dominions, such as Canada and Australia. The Government of India should be allowed to employ the balances in India.

(d) With a view to promoting the general financial interests of India it may be desirable to appoint a representative advisory board or committee to assist the Government in the profitable utilisation of the funds at their disposal.

#### GOLD STANDARD WITH GOLD CURRENCY OR EXCHANGE STANDARD WITHOUT GOLD CURRENCY.

12. Originally the goal of Indian currency policy was a gold standard with a gold currency. This policy was inaugurated in 1893 by the closing of the mints to the free coinage of silver and developed in 1899 "to give effect to the recommendations contained in the report of the Indian Currency Committee of 1898 which were endorsed by the Secretary of State and generally accepted by the Government of India." These recommendations include :—

- (1) Making the British sovereign a legal tender and a current coin, and
- (2) Throwing open the Indian mints to the unrestricted coinage of gold.

In 1899 "the measure of transcendent importance before the Government was to place the currency of India on a gold basis and stable exchange." (Honourable Mr. Clinton Dawkins, September 1899), and "To provide for actual striking of gold coinage at an Indian mint was really a corollary." He further said, "no other measure would save India from embarrassment." The Secretary of State for India was so thoroughly convinced of the necessity of introducing and popularising gold coins, that in a despatch, dated 24th May 1900, he remarked: "To make the use of gold coins more popular and especially among the class of people for whom a coin valued at Rs. 15 is an unduly large unit, it may be desirable for your Government to coin gold pieces of three or five rupees at the Calcutta Mint which should be made legal tender, but would be issued altogether irrespectively of the branch of the Royal Mint at Bombay." The Government of India in their letter, dated 4th May 1907, in reply to the Chamber of Commerce, Bombay, said: "They had never concealed from themselves the inconvenience attending a gold standard which is not accompanied by an effective gold circulation, and they are in full accord with the view that a more general use of gold among the people would simplify the task of directing a managed currency."

Again, we had the statutory fixing of the value of the rupee at 16 pence, and the sovereign was made a legal tender for payment or on account, doubtless with the intention of encouraging the importation of sovereigns. Rupees issued for sovereigns, however, are not re-exchangeable.

13. On the other hand, the Secretary of State commenced unlimited sales of Council Bills and Transfers at rates below gold import point

and doubtless checked the importations of sovereigns from London. The measures for opening the mints to the free coinage of gold have not been put into practice. The machinery which was said to have been ordered from England in 1899 to strike gold coins never reached India. The Secretary of State lent his ears to the technical objections raised by the Treasury and dropped the matter.

In 1912 the Financial Member, when speaking on the resolution of the Honourable Sir Vithaldas B. Thackersey entertained the Council with arguments against the opening of Indian mints to the free coinage of gold. They were numerous but were suitably classified into three sets of objections, namely :—

- (1) That a gold coinage is unnecessary ;
- (2) That it would be ineffective in support of exchange ; and
- (3) That it would be wasteful or even harmful.

14. From the above it is difficult to understand the attitude of the Secretary of State for India in this matter. One may reasonably assume that two opposing influences have been at work, *i.e.*, one to give India a gold standard and currency, the other to give her a gold exchange standard only without a gold currency. The latter modification has been imposed upon the former scheme with the following results :—

- (a) We find that the credit of India is no better in the estimation of the London money market.
- (b) The elaborate safe-guards to ensure convertibility of the rupee into sovereigns even in London are dependent upon the balance of trade in favour of India and the accumulated reserve of gold.
- (c) Instead of gold currency there have been issues of token rupees ; and
- (d) The burden of Government in supporting the artificial relationship becomes greater every day.

#### *Conclusions on the Foregoing.*

15. In my opinion—

- (a) Council Bills and Transfers ought not to be sold which in any way stop the import of gold into India. Gold should be allowed and even encouraged to come freely into India and every effort made to keep it in the country when it arrives.
- (b) The rupee, as a token coin, should not be issued to an unlimited extent, and the circulation of the artificial rupee ought not to be allowed to expand.
- (c) All devices or contrivances to prop up an artificial position are insecure.
- (d) Government ought to take serious steps to put gold into circulation to replace the fictitious rupee as effectively as possible.
- (e) There is advantage even in forcing gold into active circulation as it—
  1. Tends to limit the liability of the Government to the public.
  2. Automatically supports sterling exchange.
  3. Removes the necessity for larger reserves.

16. No Government has any right to give only nine pennyworth of silver for sixteen pence and to hold the other seven pence without any legal obligation to give gold in exchange for the rupee.

*How the Secretary of State's requirements for Home charges can be met.*—So long as the balance of trade is in favour of India to an extent larger than the requirements of the Secretary of State for India exchange cannot fall below the fixed standard. The difficulty might arise when the balance of trade goes against India, but if the gold reserves in India are sufficiently strengthened the amount of gold required for payment can be met out of such reserves during these special years.

The maintenance of reserves in India undoubtedly adds to the strength of the position of the Government of India, but the maintenance of such reserves in England instead of India cannot give any addition to this strength.

If the reserves were maintained in India they would be available to meet the demands for remittance to England.

If necessary for the present temporary gold loans might be raised in London to meet any extraordinary demands. Gold loans can be paid back out of the accumulation of gold in normal years.

The Government need not undertake the duty to lay down gold at its destination when exported for payment of balance of trade. This business may be left to the Exchange Banks.

### GOLD.

18. Prices are alleged to have risen owing to the increase of production of gold in the world's mines.

All other countries are absorbing more gold and there is no reason why India should be grudged its share of the absorption (*see Statement II.*). Considering the population of India, the per capita amount of gold held in India is much smaller than that held in other countries, and if India is rich enough to absorb its share of gold now why should other countries object when they are not restricting their own absorption? Even disregarding the growth of gold for banking reserves, the use of gold for arts, &c., in other countries is much larger than in India (*see Statement III.*), if the population is taken into consideration. Government having adopted the gold standard ought not to consider that the circulation of gold as currency is objectionable.

A gold standard cannot be considered to have been established in India until it is supported by a gold currency.

It ought not to be detrimental to the interest of England as the gold would not be attracted from England but from the world's mines, though it may come through England, as the extra balance of trade of India is from countries other than the United Kingdom.

Extra gold received should be put into circulation and this will attract more gold. If extra gold is attracted it is bound to get into circulation gradually after the demand for so-called hoarding is satiated.

With the free mintage and gold currency India may one day hope to become the banking centre of Asia, and in that case the balances of trade of countries in Asia with countries in other continents will be settled through India.

सत्यमेव जयते

### GOLD AND GOLD NOTES.

19. Circulation of gold and gold notes can be attained by the following means among others:—

I. By the introduction of Universal Currency Notes redeemable only in gold, and by the gradual conversion of the present Rupee Currency Notes into Gold Notes through the accumulation of sufficient gold reserves. They will be popular only if the gold reserves are held in India. This will centralise the reserve of gold and effect economy in the circulation medium with the concurrent circulation of gold.

These new Universal Gold Notes may be of the denomination of a sovereign and fractions of a sovereign. A promise on the notes would be to pay a sovereign on one or the number of these required to make up one sovereign. Transactions in India being very small the necessity of having smaller coins than a sovereign has been repeatedly urged in various quarters. On the other hand objection is taken to small gold coins of less than half a sovereign as being not convenient to handle, but Gold Notes for these small denominations will take their place.

II. Gold should be issued more freely to the public not only from the Presidency Towns but also from the District Treasuries. Post Offices and Presidency Banks branches should be instructed to exchange rupees for gold. The Comptroller-General does not allow the issue of more than a limited number of sovereigns a day at the Presidency Currency Office to a single bank. Thus the gold reserve will be more evenly distributed

throughout the country than by being locked up in the Currency Offices of the Presidency towns from whence it can find its way in very small quantities.

The people should be assured that they will suffer no loss in converting gold coin into rupees.

It is said that sovereigns can be obtained on demand for rupees at the Indian Treasuries to-day. The public do not know this, nor have they any legal claim on the Treasuries or elsewhere for such conversion.

Mr. Lionel Abrahams, Assistant Under Secretary of State, in his Memorandum on General Balances says—

"It will be noticed that in each year (that is from 1909-10 to 1912-13) the importation of sovereigns exceeded the absorption by the public, and that at the end of each year there has been a substantial amount held by the Government at the disposal of the public to be exchanged for rupees." (Cd. 7070, page 21.)

In "Capital," dated 27th May 1909, we read :—

"The Accountant-General, United Provinces, has informed all Treasury Officers and Agents of the Bank of Bengal in the Provinces that as sovereigns and half sovereigns are not available at present, no application for supply of the coins should be submitted until further notice."

I have not been able to trace the further notice referred to in the above.

On the 25th January 1910 the Indian Bank Limited, Madras, wanted only 500 sovereigns from the Accountant-General, Madras, who replied that "sovereigns are issued to the public at not more than 100*l.* a day to each applicant."

This was how the bank was treated in the matter, and I am told that individual applicants were induced to accept doles of 3 to 5 sovereigns each.

The correspondence in connection with the same is appended herewith. See Statement IV.

The Bank of Madras shows in its weekly statement the number of sovereigns in stock. The applicants for sovereigns at the head office were informed that the bulk of the stock of sovereigns was held at one of the important branches, and the important branch would in its turn announce that the same was held at the head office. Even now the issue of sovereigns to the public for more than 10,000*l.* to a single party on one day requires the sanction of the Comptroller-General to whom "the purpose for which the gold is asked for has to be reported."

III. Gold Universal Currency Notes must be encashable in gold at all the central places where Reserve Currency Agencies might be established in charge of District Treasury Officers.

To whatever extent these gold notes may circulate they would take the place of rupees and therefore they would tend to check the demand for rupees.

What affects the use of notes both for local and remittance purposes is the excessive desire to convert them into coin, but as encashment is rendered easier the desire for conversion lessens.

IV. All payments in excess of a certain amount, say Rs. 150, should be made only in gold, the payee being given the option of demanding payment in rupees or gold notes.

"Government must prevail upon the people to accept the gold, and to encourage them to do so it should be offered to them in the form most suitable to their needs. Gold must be helped and nursed into circulation by the influence of the Government Official."

V. By opening the mints to the free coinage of gold sovereigns in India.

(a) "Gold can be attracted profitably from Africa to pay the balance due to India from London (as the freight, insurance and time in transit from African mines to Bombay compare favourably with charges and time in transit from mines to London) if, in exchange for the raw gold, currency can be obtained as quickly and economically as in London."

(b) Gold produced in India will not go out if a free mint be established in India.

As Sir Clinton Dawkins said in 1900—

The Government of India will have the satisfaction that “they have been able to assist the Indian gold mining industry by saving it the freight and charges incidental to the transmission of its gold to London.”

(c) Recoining of old coins can be done more economically, thus saving time, charges and interest.

### HOARDING.

20. Both Government officials and Anglo-Indian writers have very exaggerated notions about India's hoarded wealth and “the ingrained hereditary custom of hoarding among natives.” It may be true that the Indian is not so enterprising as the European and does not make the best use of his money for his country at present, but this is due to—

- (1) Deep feelings of distrust and suspicion owing to the unsettled and disturbed political state of India for so many centuries.
- (2) He is obliged to keep a larger cash balance through utter lack of banking facilities of deposit and remittance.
- (3) Similarly he holds his money in his own possession in lieu of safer and more tempting investments. He has no financial organisations to advise him in the choice of his investments.
- (4) Because the bulk of population still remains quite uneducated.

This feature of hoarding is transient and is disappearing gradually (*see Statement V. of some of the Investments in India*), and must die out with education and general awakening. The remedy does not lie in denying gold to India, but in taking steps to educate her to make the best use of it. That is the proper and permanent remedy.

In Statement VI. will be found some extracts from “Capital,” dated June 25th, 1908, in this connection.

*Sovereigns.*—Again inferior coins, if numerous enough, will always drive out superior coins from circulation, therefore an Indian need not be blamed if he prefers to retain sovereigns.

### THE LOCATION, DISPOSITION, AND EMPLOYMENT OF THE GOLD STANDARD AND PAPER CURRENCY RESERVES.

21. The maintenance of reserves in India will engender confidence, and will enable gold coin and gold notes to circulate. Gold coins do not circulate because they are not available to any substantial extent after the requirements of hoarders have been met. Rupees were largely hoarded, but in spite of this they circulated as currency because the total amount available was sufficient to meet both purposes. The purposes for which the gold reserves in England obtained by the unlimited sales of Council bills have been utilised are—

- (1) For the purchase of silver.
- (2) Meeting bills drawn from India to meet an unfavourable balance of trade without a fall in exchange; and
- (3) In exceptional years to “supplement temporarily the resources in London of the Secretary of State for India at times when he is unable to sell Council bills except below specie exporting point.”\*

The amount required for purchase of silver should be drawn when the necessity for rupees or the purchase of silver for it actually arises, and it ought not to accumulate in anticipation. For the other purposes the maintenance of reserves in India would make no difference as mentioned already.

To facilitate the establishment of a gold currency in India the Gold Standard Reserve should be kept wholly in gold, and no portion invested. No further portion of paper currency should be invested as the currency reserve in gold will help towards the establishment of gold currency.

22. The keeping of reserves in gold in India is essential for the following further reasons:—

- (1) In case of political troubles or war against England or commercial crisis in England there would be great difficulty in getting gold and in selling securities.

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\* Cd. 7070, Section II., page 88.

- (2) When, added to the above, there is commercial crisis in India also (because trade is so sympathetic), and especially when the trade balance goes against India with famine or war on the frontier or political difficulties internally—any one or more or all of them (which God forbid) will do havoc in the absence of gold in India.
- (3) As matters connected with Indian finance and currency come to be better understood in India the procedure of holding gold in England is likely to constitute a much more serious difficulty for the Government to handle. (See paragraph 16.)
- (4) The result of keeping reserves in England is that they are likely to be invested in securities, owing to the control of London financiers, as the Secretary of State is too often influenced in favour of the London market. The London market trades in credit based upon the barest minimum of gold. Retaining gold in India strengthens the position of the Empire inasmuch as it strengthens the position of India.
- (5) The Paper Currency Reserve is obviously meant to redeem the Indian Currency Notes and if there is any place where it ought to be located it is India.
- (6) India is peculiarly situated and there are special reasons in her case why extra caution should be observed. India cannot obtain immediate assistance or immediate re-inforcement of gold in a few hours from neighbouring countries as the Banks of England and France are able to do.

Indian cash reserves must therefore be regarded with the utmost jealousy.

23. *Securities.*—That portion of the Gold Standard Reserve which consists of the securities of those Colonies against which a deep-seated grievance exists in the minds of the Indian public should be placed elsewhere without delay. Similarly the securities, either not repayable by the borrowing Government or payable at a distant date, should be disposed of.

#### STATE CENTRAL BANK FOR ALL INDIA.

24. Those who advocate the establishment of a State Central Bank for all India have not formulated any definite scheme for its working. From what I can gather the idea appears to be to form a central institution with private capital to—

- (1) Absorb the three Presidency Banks (so as to consolidate and concentrate the banking facilities in India), enlarging their power, among others, to lend and borrow outside India and enter into sterling operations.
- (2) Take over from the Government the management of—
  - (a) The paper currency.
  - (b) Gold reserves.
  - (c) Government Treasuries.
  - (d) The general balances of the Government of India both in India and England.
- (3) Some would expect it to undertake the convertibility of the rupee, the promotion of the circulation of gold, foreign remittance business, &c., &c.

25. If another Royal Commission has to sit it will be to enquire into the working of the proposed State Central Bank only as it is proposed that it shall relieve the Secretary of State for India and the Government of India of some of the administrative functions relating to Indian Finance and Currency. After a century of administration by the East India Company the British Parliament decided to transfer the administration to the British Crown and it would be regrettable if after another 50 years only they were to take the retrograde step of re-transferring one of the most important branches of administration to a private company.

26. It has not been explained fully how this is to be attained or how the difficulties in its working in practice can be overcome. The various details

as to capital and shareholders, board of directors, connection and control of the Government and the public, &c., of such an institution have not been worked out. In theory the advocates of the establishment of the State Central Bank may have some good reasons on their side, but in practice I believe it would not subserve the best interests of India.

In dealing with the question it is necessary to take into consideration the working of the three Presidency Banks in the past, as they are intended to form the nucleus. As it is proposed to establish and work the new Central Bank more or less on similar lines and with the same materials it is desirable to examine the materials closely. I shall, therefore, touch upon some features of the working of the Presidency Banks and incidentally point out what further restrictions are necessary.

27. I shall first indicate the objections to, and difficulties in, the formation of such a State Bank.

I. To constitute a Central Bank to undertake to work on the lines indicated in my opening remarks practically amounts to a transfer of one of the most important branches of administration from the British Crown to a private company. This step will be viewed as putting an important branch of Indian administration outside the pale of criticism in Parliament. India cannot afford to lose Parliamentary control over any branch of Indian administration. It is dangerous to hand over the financial arrangements to a divided control, even if Government retained a certain power of supervision.

II. The existence of a dominant Bank with State connections is contrary to the fundamental principles of Free Trade. The creation of a State Bank must affect adversely both the Exchange Banks and the Indian Banks which have been doing useful work in the past. (Please refer to the Memorial from the Exchange Banks of Calcutta dated 3rd February 1900.\*)

III. I take the following from the proceedings of the meeting of the Bombay Chamber of Commerce as reported in "Capital," 24th July, 1913 :—

"The resources and working capital of the present Banks have grown proportionately to the demands for increased credit, and the stringency experienced during the busy season is not an argument to the contrary, but is due to the action of Government in collecting and locking up most of their revenue when money is urgently required."

To which I may add "and in investing it in the London money market."

The growth of credit in India to finance exports and imports (see Statement VII.) has kept pace with requirements.

Forcing a Central State Bank on the lines advocated by the enthusiasts will result in a maze of credit finance—credit banking, credit reserves, and credit currency. A natural and steady development all round of banking facilities checks speculation.

The development of credit is urgently required in quite a different direction.

What India wants most is some method by which the Zemindar and the bulk of the poor agricultural population may come within reach of cheap and easy money. Their requirements are for long periods, and these cannot be met by the proposed State Bank.

A State Bank formed by the amalgamation of the Presidency Banks which would receive deposits from the public for short periods or Government balances, payable at call, can finance only seasonal business.

To finance the Zemindars and the agriculturists separate organisations under State patronage require to be formed.

The Zemindars require Landholders' Banks. To help the agriculturists the co-operative credit movement has to be developed in the right direction. The Government has not taken up this movement as wholeheartedly as it might have done. Central co-operative credit institutions having proper organisation should be established to carry out the work required to be done in the different Presidencies.

These credit institutions should be worked by the Indians themselves with the encouragement and liberal support of the Government, and not by any alien institutions.

IV. The Specie Reserve on hand or cash balances now held by the Presidency Banks to meet their liabilities will be reduced to an unsafe minimum and the Banks to a consequent risk of panic, as they will look to the Central Bank to help them in emergencies. The tendency of the Central State Bank would be to treat the Government balances more or less as fixed deposits than as money at call ; and it would thus allow its own reserves to fall below the limit of safety and be more likely to rely on Government help in time of crisis.

From Statement VIII. appended herewith, showing the percentage of cash to liabilities in the case of the three Presidency Banks, it will be clear how the percentage has gone up and down. A statutory limit requires to be fixed for the maintenance of a regulated proportion of specie on hand to the total liabilities of the Presidency Banks.

Credit lent at call or short notice should not be treated as money.

V. The Central Bank could not undertake the conversion of silver rupees into gold as the capital required to support this object would not earn a sufficient dividend. Even a Bank with a large uncalled capital cannot do so. It would be dangerous to adopt such an artificial procedure.

The Central Bank cannot maintain exchange as "the credit required to maintain exchange takes it beyond any Bank."—(Mr. Hunter, Q. 6319, Cd. 7069, page 265.)

VI. An Indian State Central Bank cannot be allowed to enter into foreign business owing to the risks involved and this limitation would cripple the usefulness of such a bank.

The temptation to employ money profitably abroad would lead them to transfer funds outside India.

The internal trade of the country would not receive the undivided attention of the Central Bank.

VII. A Central Bank with private capital would be a business concern pure and simple, looking generally to the profits of its own various enterprises before considering problems connected with the needs and obligations of the people. The chairman of the European Calcutta Trades Association at one of their annual meetings said :—

"It is often said that trade follows the flag ; it would be better to say that flag follows trade. First comes the trade, then the chartered trading company and then follows the flag. If the commercial venture is unsuccessful the flag stays at home. This is the secret of our success as a colonising nation and the reason why we have few worthless possessions."

Extract from Honourable G. Fogg's speech at the meeting of Bank of Bombay :—

"The true course for the shareholders to pursue, having regard to their own interests, and saying nothing with regard to the public interests which to them were of minor importance, was to throw away the amalgamation scheme at once."

It is likely to be jealous of its powers and privileges, declining to permit private interest to secure the advantage of individual enterprise.

This will be clear from the working of the Presidency Banks in the past.

(a) The Presidency Banks have responded to the requirements of some of the large European trading interests. They have financed some particular crops which they found most convenient to their own ends.

So far as I am aware they have no systematic scheme or sympathetic desire to finance Indian trade or industries. Their interest in Indian native concerns has been only to the extent that it was necessary to exploit them for their own gains.

(b) At times of stringency in the money market the Government of India appear to a certain extent willing to grant loans to the Presidency Banks. But this facility to take money at the bank rate is not availed of by them. Thus they look to their own profits before their obligations to the public.

(c) They have never regarded the Indian native banking concerns as auxiliary institutions to finance indigenous trade and industries.

(d) They have not even recognised their responsibility to lend against the Government paper, and their refusal to so lend has been under the plea of financing trade.

Their willingness to agree now to any amalgamation is based upon their own interests rather than with a due sense of their obligations to the public.

VIII. The Central Bank's business should be to encourage gold currency and to provide India with gold reserves, but the institutions which are to form the nucleus of the proposed bank are run by men who are not prepared to encourage this for fear of disturbing the European money market. They feel that their first duty is to the London money market. The needs of India are only a secondary consideration. Thus one of the main objects of the Central Bank will be defeated.

IX. The too close connection which must exist between the Government and the Central Bank is likely to cause serious embarrassments.

(1) It is bound to produce a general impression that the State is responsible for the good conduct and prosperity of the banks, and when any one of them is involved in difficulty or in danger there will be a disposition to claim as of right assistance or even indemnity from Government.

Power to inspect the bank's operations could not be dispensed with and this would impose upon Government in the public view a responsibility for the management of the bank. The expectations unfortunately engendered by the close connection between the State and Presidency Banks were the cause of inconveniences almost amounting to a public danger. These inconveniences have been experienced by the Government in the past, and it is probable that difficulties of this character may occur not infrequently in the future.

(2) Again an external power which can be called upon to prohibit a competitor from encroaching upon the markets enjoyed by his rival possesses a jurisdiction which is too useful not to be frequently invoked.

The indigenous institutions working at places where the Presidency Banks have branches find themselves at a disadvantage.

(3) The close connection is likely to place the Government in a further critical position at a time of commercial crisis or trade depression.

X. It is proposed to transfer the paper currency to the new bank.

People in India have implicit faith in the British Government. Bank notes, even with Government guarantee, will not be accepted. The innovation would arouse suspicion and distrust which it would be difficult to allay. The Government should not pledge their power and prestige for the profits or reputation of a private company. The paper currency is steadily growing and performing the useful function of economising metallic currency. It will suffer by transfer to a bank; it will get a set-back until matters are explained and confidence restored, which takes a very long time in India.

It is hardly necessary to add that the profits from note issues should go to the general taxpayer, and not to any particular section of the community, such as the shareholders of the proposed Central Bank.

The Government of India has got about 300 treasuries and about 1,500 sub-treasuries, which are doing useful work very economically. These treasuries will have to be maintained for other purposes, because the Presidency Bank with too costly a management cannot afford to open so many branches.

Thus it is not possible for the Central Bank to afford such facilities for the circulation of gold and gold notes and the conversion of gold to token coins as can be done by the treasury offices, which are very necessary for gold currency.

The State treasuries cannot be put under the control of the bank, as it will be dividing the responsibility. The State Bank cannot be so much in touch with the Government machinery.

The new bank will be at best an experiment. On the other hand the Treasury system has developed after half a century of working, confidence in the notes of the Government of India has been secured, and it would not

be wise to disturb both for a mere experiment. To this may be added the following remark of Mr. Lionel Abrahams :—

"It will be noticed that this list of advantages does not assume that the establishment of a State Bank would enable economies of any importance to be affected by the reduction of Government establishments, or that it would lead to any increase in the popularity of the paper currency or in the efficiency of its management. Neither of these results seems probable. As regards the latter, the growth of the note circulation and the additional facilities for encashment that have from time to time been provided under Government management seem to indicate that the efficiency attained under that system is probably as great as would be attained under management by a bank." (Cd. 7071, page 352.)

XI. A Central Bank, unless it be a national body representing all Indian interests, has no right to be constituted or designated as a State Bank for India to manage Indian finance and currency.

By experience Indians find that the full benefits of similar institutions ostensibly started for India do not reach further than the white community.

The bank with which Government keeps accounts should not be a sectarian one: a bank in which there is a vast majority of a certain class is likely to influence its working to the detriment of other interests. It is not possible for a sectarian bank to approach finance from an Indian standpoint. When once a particular community gets hold of certain advantages it naturally tries to retain them.

It will be clear from the facts and figures given in the subsequent part of my notes that the Presidency Banks now in existence are sectarian, the European element greatly predominating, and in the new amalgamated State Bank the same element will predominate and Indian interests be subordinated. (See also sub-paragraphs *a* and *b*, objection No. VII., page 644.)

Again, owing to the conflicting interests of the multifarious communities covering such a large continent as India, it is difficult to constitute a cosmopolitan body at one place to look after the interests of all alike; local influence is certain to be in the ascendant, and other parts of the country are likely to be neglected.

XII. *Amalgamation.*—Centralisation would probably mean some curtailment of existing credit. There are customers who have got large facilities in two or three Presidencies at the same time, but a Central Bank might decline giving any single facility equal to the aggregate of facilities allowed by the three banks.

#### FURTHER RESTRICTIONS FOR THE PRESIDENCY BANKS.

28. It is necessary to go into further details in reference to the constitution of the proposed bank.

We must closely examine the working of the Presidency Banks which are to form the nucleus. I shall therefore take into consideration questions relating to the shareholders, the board of directors, the management, &c., &c.

29. The Presidency Banks with whom the Indian Government keeps account are sectarian.

#### SHAREHOLDERS.

A. Taking the case of the Bank of Bengal, "Capital," writing the history of that bank up to 1888 said: "The shareholders in the bank are mainly European."

	Rs.
On 30th June 1888 there were 244 Asiatics holding -	2,525,659
1,102 Europeans holding -	17,474,341
<hr/>	
1,346	<hr/> 20,000,000

It is admitted that the native of India is no less desirous of making his capital fructify than peoples of other countries, and he therefore seeks a safe investment. The bank has the prestige arising out of the monopoly of all

Government business and connection with the Government. In India connection with the Government carries great weight.

We still find that the shareholders of the Bank of Bengal now numbering "some thousands" are mainly Europeans. ("Capital" 1909.)

Why has there been no increase in the numbers of Asiatic or Indian shareholders? How did the shareholders remain mainly European after a quarter of a century in view of the prosperous working of the Bank of Bengal?

B. *Bank of Madras.*—Taking the list of shareholders eligible for the general meeting held on the 4th August 1913, we find that the shareholders of this bank are also mainly Europeans, viz. :—

	Rs.
About 181 natives holding about 3,342½ shares = -	1,671,250
About 762 Europeans holding 11,657½ shares = -	5,828,750
	<hr/> 7,500,000

It is necessary for the better government of the Presidency Banks that the shareholders of a particular community should not be in a vast majority.

I would suggest that the shares to be held by any shareholder should not exceed a fixed number, and that the voting be so regulated that Indian interests shall be protected.

*Attendance and Proceedings at the Meetings of the Shareholders  
of the Presidency Banks.*

30. It would be interesting to prepare an analysis of attendance of the shareholders at the general meetings of the three Presidency Banks.

A. The directors of the Bank of Bengal have the shareholders' meetings to themselves; an outside shareholder is a *rara avis*. The advent of an outside shareholder creates surprise.

From the copy of the proceedings of the shareholders of the bank of Bengal held in August 1913, we see that out of the shareholders of the bank numbering "some thousands" only one shareholder was present as attorney to eight absent shareholders. It may be noted it has been ruled that the attorney-shareholder cannot propose any resolutions at the meetings. Thus the six directors present at the meeting (with a single shareholder who could not move any resolution) carried on the proceedings in the name of the shareholders. All the three propositions regarding—

- (1) Passing of the accounts submitted by the directors;
- (2) The election of the retiring directors;
- (3) Appointment of the auditors to audit the accounts, for which the directors are responsible, were all proposed and seconded and carried by the directors themselves.

A director had to propose even a vote of thanks to the chair.

The proceedings of the shareholders of the Bank of Bengal have been generally conducted in this manner.

B. I attach herewith a rough analysis of the list of shareholders of the Bank of Madras (Statement IX.) showing the number of votes each was entitled to at the general meeting held in August 1913.

From the analysis it is clear that out of nearly 950 shareholders of the Bank of Madras—

- 1. There are about 325 who are not entitled to any vote.
- 2. Out of 950 shareholders there are about 225 ladies who never grace the meetings with their presence to use their votes.

Q. No. 6983. (*Mr. Keynes.*) How are your directors appointed at present?

A. (*Mr. Hunter.*) By the shareholders.

Q. No. 6984. Are they in fact appointed in that way, or is it, as is often the case in England, that the existing directors nominate their successors?

A. (*Mr. Hunter.*) If a director retires in the course of the year, the vacancy is filled up by the directors, but at every annual meeting two directors retire, and it is open to the shareholders to re-elect them or not. (Cd. 7069, page 287.)

I have requested the Bank of Madras to furnish me with the analysis of the attendance of the shareholders at the general meeting for the last 25 years in the form attached herewith. For attendance in the current year see Statement X. compiled by me from the reports of the proceedings of the bank in the Madras press.

From the analysis it will be seen the general meetings are attended generally by one or two and sometimes six shareholders besides the directors and the officers of the bank who are generally in the majority. The apathy of the shareholders in attending the meetings is deplored by the chairman before the empty chairs, and has often been commented upon by the Madras press.

In Statement XI. there is an extract from the "Madras Mail," the leading Anglo-Indian daily of Madras.

In this connection I may suggest that clause No. 56 of the Presidency Banks Act requires to be modified to enable more shareholders to attend the meetings. That is, the qualification for voting requires to be reduced. It should also be provided that proxies should not be given in favour of the directors or the officers of the bank.

#### CONTROL BY THE SHAREHOLDERS.

31. From the foregoing it will be seen that in the case of the two Presidency Banks, the Bank of Bengal and the Bank of Madras, the directors are practically left to pass the accounts submitted by themselves, to re-elect themselves or their successors, and to appoint auditors of their own choice to audit their accounts.

Owing to the apathy of the shareholders the directors comply with just the formalities required by law, and issue a report and a balance sheet. They do not give so much information to the shareholders as they used to give in their annual reports.

Thus, the control and direction of a bank is vested in a group of men responsible to nobody but themselves, without effective supervision by the Government. This state of affairs certainly requires to be mended.

#### AUDITING.

32. The Presidency Banks have generally not found it necessary in the past to have their accounts audited by any member belonging to the Society of Chartered Accountants of England and Wales. Some of the auditors have been members of other chartered societies probably having longer historical traditions of accounting and auditing.

The Joint Stock Banks of India have hereafter to get the accounts audited by auditors approved of by the Government, but such a provision is not found in the Presidency Banks Act.

I append a statement, No. XII., showing how long each auditor of the Bank of Madras has occupied his position. It is clear they have always been European, and for long periods. When in 1910 a new chartered accountant was appointed, we find in the report of that year the following:—

"Branch loans amounting to Rs. 15,67,137, included in Accounts of Credit Rs. 1,28,11,355-3-8, were not on securities authorised by the Presidency Banks Act. The securities actually held, as shown by the branch returns, formed, in our opinion, ample liquid security for this amount. We have satisfied ourselves that these loans have now, at the date of this report, been put in order."

33. There should be a detailed and careful audit conducted by auditors who do not owe their appointments to the directors. It should not consist merely of comparing numbered items of balances from the ledger with the balance sheet. Besides the audited accounts a Statement of Valuation of Assets must be submitted to the shareholders every three or five years, conducted by those competent to give an opinion. At present, one or other of the auditors comes from outside. Such auditors cannot be expected to certify to the value of the assets shown in the balance sheet. The public attaches exceptional value to the audit certificates of skilled accountants, but the auditors generally refuse to be saddled with the responsibility of valuing

assets. The book-keeping may be all right, according to the rules of the bank, but it is the value of the assets which is important.

34. Some of the banks that have failed in India had a galaxy of chartered accountants to audit their accounts for a number of years, who certified to the book-keeping, but the failures were due to the directors not having any proper valuation of their assets. It is not my purpose to suggest anything against the assets contained in the balance sheets of the Presidency Banks, but as they are the custodians of public money, a statement of valuation of assets, if published, will inspire more confidence besides being to their own interest.

I think the Government must insist upon every bank, doing business in India, submitting a statement of value of assets and an estimate of its liabilities. Provision must be made in the Presidency Banks Act for a Government audit and valuation of assets by competent persons.

35. The new Indian Companies Act has prescribed a form of balance sheet for the joint stock banks, &c., which may be adopted. All the provisions for submission of reports and returns to the Registrar, which are available for public inspection, require to be incorporated in the Presidency Banks Act.

36. *Borrowings by the Directors.*—It is not enough that a director shall abstain from voting on any motion respecting the loan or advance of money or otherwise giving credit to himself, his co-trustee, servant, relative, &c.

It will have salutary effect (and is very necessary) if the total amount of all the liabilities (alone or with others) of the directors or firms in which they are partners of joint stock companies in which they or their partners are common directors (or managing directors or agents) be shown in the balance sheet. If these particulars appear in the weekly statements of the three Presidency Banks, there will be no room for "window dressing."

37. *Gentleman and his groom Advances.*—The Presidency Banks Act, Clause 36a, (6), requires, if possible, to be so worded that there may be no room for advances to a gentleman and his groom.

#### THE DIRECTORS AND THE EXECUTIVE OFFICERS OF THE PRESIDENCY BANKS.

38. I beg to present to the Royal Commission the following extract from "Capital" (dated 2nd September 1909) the leading financial organ of the Anglo-Indian community in India about the directors of the most important of the three Presidency Banks.

##### *Extract from "Capital," September 2nd, 1909.*

The directorate of the Bank of Bengal has always been a very close borough, confined to certain favoured firms, some sixteen in number. Of those firms three went bankrupt, one having its certificate suspended and six have closed up their business, so that only seven remain to draw directors from—Messrs. Jardine, Skinner & Co., and Gillanders. Arbuthnot & Co. have had a member of their firm a director during the past half century at least. They evidently have a freehold tenure of this position.

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Of the present board Messrs. Geo. Henderson & Co. came on the scene in 1873, Messrs. Begg, Dunlop & Co. in 1888, and Messrs. Turner, Morrison & Co. in 1893. The defunct firms are: Colvin, Cowie & Co., Gisborne & Co., Crooke, Rome & Co., who came on prior to 1860, Mackillop, Stewart & Co., 1861, Shand, Fairlie & Co., 1863, Lyall, Rennie & Co., 1866, Ashburner & Co., and Carlisle Nephews, 1871, John Elliot & Co., 1885.

Until 1876 there were always three Government directors, the last three being a member of the Board of Revenue, the Master of the Mint and the Accountant-General, Bengal. With the passing of the Presidency Banks Act of 1876, Government ceased to hold shares and to appoint directors. But in 1877 the bank invited the Administrator-General, in 1880 the Official Trustee, and later, in 1887, the Official Assignee, to seats on the board. These funeral additions may probably have been intended to restrain the exuberance of the commercial directors, but what other earthly use they

were to the Bank it is difficult to see, as they have been as mutes ever since their appointment.

\*     \*     \*     \*     \*     \*

Messrs. Kettlewell, Bullen & Co., who were in the first batch of firms, dropped out for some time, and then re-appeared with the advent of Mr. Aitkin only to disappear. Messrs. Hoare, Miller & Co., who entered an appearance in 1862, seem out of favour now. Messrs. Begg, Dunlop & Co., in whose firm the late secretary's brother was a partner, were admitted in 1888, but their Mr. J. F. Macnair having, it is said, been too independent, their firm, when he resigned in 1893, languished under the cold shade of the secretary's displeasure, and their contempt was not purged until a few years ago.

\*     \*     \*     \*     \*

Now, I am not sure that this arrangement, under which a seat on the direction of the Bank of Bengal becomes apparently an asset in the partnerships of certain firms, is an absolutely wise and prudent one. The firms in question are undoubtedly of the highest standing; but firms, even of the highest standing, do not possess a monopoly of all those requisites which go to make an ideal bank director. It is common knowledge that the partners in these firms have not always been men of outstanding ability. The aim of the bank should be to secure the very best men, not to have the partners in certain firms running in and out of the board room with their qualifying scrip, like dogs at a fair. Firms like Apcar & Co., Balmer, Lawrie & Co., Birkmyre Brothers, Duncan Brothers, Finlay, Muir & Co., Graham & Co., F. W. Heilgers and Co., Kilburn & Co., Prankissen, Law & Co., Mackinnon, Mackenzie & Co., Macneill & Co., J. Thomas & Co., Williamson, Magor & Co., Andrew Yule & Co., among others, could all have furnished able directors and brought business, which is an important item. But the man in the street, rightly or wrongly, has an idea that the directors have no independence, and are simply dummies or pawns for the secretary to play with. The present is a convenient time to change all this.

\*     \*     \*     \*     \*

The Bank of Bengal is an eminently conservative institution. Although founded in 1806 no reports were issued until the directors were required to do so at a general meeting of the proprietors on the 10th December 1856, or 50 years after. It would be as well if the directors now recognise that the times are changing rapidly, and that they must "wake up." The shares are now held by some thousands of proprietors, and these shareholders should have some voice in the selection of the directors. At the present moment, the annual meeting is a hole and corner affair, and very seldom more than one person is present, other than the directors. Business now has to be captured, it does not go seeking; and if the Bank of Bengal is to get that share which its position and character justifies, it must alter its methods and move with the times.

\*     \*     \*     \*     \*

The real remedy is, to increase the number of commercial, and to eliminate the present Government, directors, who cannot possibly be of any useful service to the bank. The five mercantile directors are all good men and true, but seven directors for a bank of the size and importance of the Bank of Bengal, seem too few. The Bank of England has some 26 governors and directors; the large London banks have boards of a dozen and upwards. It may safely be presumed that, if the London banks have these large boards, they have them because they find them profitable and useful. The directors of the Bank of Bengal are by no means well paid, Rs. 200 a month for fees, and a special allowance in respect of the daily attendance of two of them, which must not exceed Rs. 15,000 per annum, cannot by any means be called excessive, so the ground of expense can hardly be taken as an objection.

If the Government desire to be represented on the direction of the Bank of Bengal, to which they are certainly entitled, though it must be borne in mind that they deliberately cut themselves adrift in 1876, and vacated the

three seats they then held, they should certainly, as they did before, nominate directors with some pretensions to knowledge of commerce and finance. The Comptroller-General, the Accountant-General, Bengal, or the Director-General of Statistics, should all make excellent Government directors. But *absit omen*, Government and commercial graveyards are hardly a good field to select from. Messrs. Overend, Gurney & Co. thought to enlist the services of a Mr. Edwards, an official receiver, of sorts, in bankruptcy—people know with what result.

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Further comments are needless.

39. *Bank of Madras*.—In every respect the same state of affairs as described about the Bank of Bengal by "Capital" is literally true about the Bank of Madras.

From Statement XIII. appended, it will be seen that (1) Messrs. Best and Co. (2) Parry and Co. (3) Barclay Orr and Davids and Brightwell (4) Arbuthnot and Co. (5) Binny and Co., had permanent seats to fill up, namely, five seats out of seven on the Board of Directors of the Bank of Madras. Messrs. Arbuthnot and Co. disappeared on their failure in 1906; Messrs. Binny and Co. had to temporarily vacate the seat at the time of Arbuthnot failure, but re-appeared in 1911.

40. The following paragraphs will enable the Commission to understand more fully the exceptional position of the Bank of Madras.

I. The Presidency Banks are practically foreign banks like other exchange banks, and Indians are treated by them as foreigners in their own country.

II. Indians are excluded from the board, and superior executive offices of the Bank of Madras. The Bank of Madras was established in 1843, but there has never been an Indian on the board of directors for the last three-quarters of a century. Why should the two vacant seats not be filled by the election of two Indians?

It is said the proportion of advances of the Bank of Madras made to Indians and Europeans is six to one, but there has never been a single independent Indian colleague to guide the board in fixing the personal credits for Indians.

The Bank of Bengal was established in 1806, but, so far as I know, has never had an Indian director.

III. The European directors are fluctuating, and are engaged in their own mercantile business. In certain cases they have been indebted (sometimes heavily) to the Bank, and are not in a position to exercise that check and control which is essential to keep under curb the executive officers. This leaves a free hand to the European executive officers of the Bank to manage the finances of the institution as they like. I have been supplied with a copy of the byelaws of the Bank of Madras, but I do not find any rules required to be made under section 63, sub-clauses (g), (h), (i), (j), and (m).

IV. The directors are themselves exporters, importers, or manufacturers competing with the Indians to whom they have to allow credit from the bank. The credit and rates of interest for Indians is fixed by them.

V. The directors are not in touch with the Indians except for their individual personal business with retail dealers through their Dubashes,\* who guarantee the credit allowed by the firm. As the Dubashes furnish securities for the guarantee, the firms are not particular about making detailed inquiries. There is no co-partnership between the Indians and Europeans in the Madras Presidency. Thus, they are unable to know the means and positions of the Indian parties to whom the Bank lends.

VI. Their information is derived either from the executive officers who are not fully in touch with Indians, or on second-hand information from their subordinates or interested parties.

VII. The executive officers (like the directors of the Bank of Madras) are innocent of the local vernaculars, and have to do business through interpreters. As the executive officers have to depend upon the information

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\* Dubash = an interpreter or broker attached to a mercantile house or bank for the purpose of transacting business with Indians.

supplied by their subordinates or interpreters, there is danger of corruption in the matter of advances.

VIII. Instead of availing themselves of the services of Indians for higher appointments, raw men are imported from abroad, who have to gain experience when they reach India.

The maximum salary of an Indian in any office in the bank (except the head cashiership) is generally the minimum salary of a European assistant newly imported. The loan accounts of European firms are not allowed to be handled by native assistants at some offices.

IX. The three Presidency Banks have in all about 54 branches, but they have never put an Indian in charge of a branch office, even as agent or accountant.

#### THE QUESTION OF THE CAPITAL OF THE PROPOSED CENTRAL BANK.

41. The following are some of the questions which should be addressed to those who advocate the establishment of a Central State Bank :—

(a) What will be the amount of capital of the proposed bank ?

As all the balances and revenues of the Government of India would be placed with the bank, and these would be increased by further deposits of the public, the capital must be enlarged in proportion to the increased liabilities. (Of course we must leave out of the question the capital required for supporting the exchange.) On the other hand, owing to the difficulties of investments in the slack season due to the restriction of not employing funds outside India, a large amount of capital would not earn any substantial dividend.

(b) Should the capital be sterling or rupee ?

Sterling capital is necessary to attract European capital, one of the reasons for the formation of the bank being to cheapen money. It may also simplify account keeping. But if the capital of the bank is in sterling it is a slur upon the integrity of the rupee, although the bank would be formed for the express purpose of supporting the exchange value of the rupee as legal tender. A compromise has been suggested that the capital should be in rupees and the accounts published in terms of sovereigns of rupees 15 each.

(c) Where is the extra capital to come from ?

(1) Is any further part to be open to the British public ? If so, how much ?

(2) Is Government supposed to subscribe ? If so, how much ?

My own opinion is that as the bank is to be established in the supposed interests of India, the whole of the capital ought to be held in that country.

(d) 10,000,000l. sterling is the amount which has so far been fixed for the capital of the bank to earn a dividend of 5 per cent. per annum. 9,000,000l. will be absorbed in the allotment of shares to the existing body of shareholders of the three banks who are mainly Europeans.

Will the Indian public and the Government be satisfied with an allotment of the paltry sum of 1,000,000l. sterling only ?

What control will this amount give to the Government and the Indian public ?

#### CONTROL OF THE NEW BANK.

42. Is there going to be a divided control of—

1. The shareholders in India.

2. Shareholders outside India.

3. The Secretary of State and the Government of India, or is it proposed to leave the control to the Government only ?

As will be seen from the working of the Presidency Banks, the shareholders are not exercising any control on the Board. They are under the impression that as the Government entrusts to them its balances it is also keeping a sufficient watch on the management and prosperity of the banks. As a matter of fact, the Government is holding aloof so as not to interfere

with the free working of the institution. So far as I am aware, no strict supervision is exercised by Government lest it should incur the onus of direct responsibility to the shareholders.

Hereafter the Government must have a larger control. The banks should act under a code of strict rules sanctioned by the Government, and to see that they are enforced the Government's representatives should take part in the management. How far the Government representatives should be left to decide matters on their own responsibility without consulting the authorities at Simla or Whitehall is a subject for consideration. Frequent consultations between the Government and a body of officials and non-officials would mean red tape and delay.

Government directors have been suggested. There would still remain certain difficulties as to the appointment and control by the Government representatives. Will they be officials or non-officials, Europeans or Indians? Probably the former, although they have no special training and must go out of office when they get some experience as only senior officers can be appointed.

The Government directors in the past have not been a success.

#### *Conclusion.*

43. From the foregoing it is clear that there is no necessity for a Central State Bank for India on the lines suggested by its advocates.

As the Presidency Banks have got the monopoly of all Government business and their close connection with the Government has produced a general impression that the State is responsible for their good conduct and prosperity, some Government control and check is necessary on the working of these banks. It is on the close connection and monopoly of the Government business that these banks are trading and it is this which induces the public to deal with them in preference to other equally sound and strong institutions.

44. In my opinion if some alterations are made in the Presidency Banks Act to facilitate transactions among themselves during the busy season on reasonable terms for protection, and if the defects pointed out by me in the control and management of the banks are removed, the three Presidency Banks may be allowed to keep the Government balances with them, but only to the extent to which they hold under present arrangements. Any further patronage or concessions should be entirely dependant upon the services which they may render to the country as a whole in the future.

VIDYA SAGAR PANDYA.

Indian Specie Bank, Ltd.,      Secretary, Indian Bank, Ltd., Madras.  
65, Bishopsgate Street, London, E.C.,  
21st October 1913.

## STATEMENT I.

GENERAL STATEMENT of GROSS REVENUE and EXPENDITURE, charged against REVENUE or CAPITAL, with ANNUAL SURPLUS or DEFICIT and CASH BALANCES (in INDIA and ENGLAND).

		1900-1.	1901-2.	1902-3.	1903-4.	1904-5.	1905-6.	1906-7.	1907-8.	1908-9.	1909-10.	1910-11.
Gross Revenue	- { India - England -	£ 64,505,997 218,076	£ 64,140,933 491,208	£ 64,600,947 694,805	£ 70,220,835 746,744	£ 70,471,190 636,103	£ 69,890,637 951,232	£ 72,270,089 874,465	£ 70,284,638 718,637	£ 69,159,795 601,740	£ 73,882,288 711,207	£ 79,706,616 975,857
Total	- -	64,724,073	64,632,141	65,295,752	70,967,579	71,107,293	76,841,869	73,144,554	71,003,275	69,761,535	74,593,495	80,682,473
Expenditure charged to Revenue	- { India - England -	£ 45,852,804 17,290,957	£ 42,311,859 17,368,655	£ 43,865,937 18,361,821	£ 49,823,762 18,146,474	£ 48,187,459 19,463,57	£ 50,132,176 18,617,465	£ 52,346,771 19,208,408	£ 52,209,962 18,887,267	£ 54,574,086 18,925,159	£ 54,863,938 19,122,916	£ 57,164,623 19,581,563
Total	- -	63,053,751	59,680,514	62,227,758	67,970,236	67,651,216	68,749,641	71,555,179	70,697,229	73,499,245	73,986,854	76,746,186
Net Revenue in India	- -	£ 18,653,193	£ 21,829,074	£ 20,735,010	£ 20,397,073	£ 22,283,731	£ 19,758,461	£ 19,923,318	£ 18,054,676	£ 14,385,709	£ 19,018,350	£ 22,541,993
Net Expenditure in England	- -	£ 16,982,881	£ 16,877,447	£ 17,667,016	£ 17,399,730	£ 18,827,654	£ 17,666,233	£ 18,333,943	£ 17,768,630	£ 18,323,419	£ 18,411,709	£ 18,605,706
Surplus or Deficit	- { Ultimate Result -	£ 1,670,312	£ 4,951,627	£ 3,067,994	£ 2,997,343	£ 3,456,077	£ 2,092,228	£ 1,589,375	£ 306,046	—	£ 606,641	£ 3,936,287
Expenditure not charged to Revenue, Capital Outlay on—												
Railways - -	- { India - England -	£ 787,863	£ 2,670,400	£ 3,034,657	£ 3,233,331	£ 4,401,930	£ 7,360,894	£ 5,363,350	£ 8,152,881	£ 6,158,581	£ 4,224,631	£ 10,054,441
Irrigation Works	- { India - England -	£ 647,002	£ 853,201	£ 1,529,344	£ 1,301,774	£ 1,495,093	£ 2,049,305	£ 2,551,691	£ 2,414,214	£ 3,329,587	£ 2,096,986	£ 1,860,764
Total	- -	£ 2,025,348	£ 4,071,152	£ 5,128,192	£ 5,043,003	£ 6,258,195	£ 9,966,393	£ 87,126,668	£ 11,412,767	£ 10,471,657	£ 7,373,966	£ 10,119,093
Total charges, including Capital Expenditure	- { India - England -	£ 47,223,273	£ 45,522,493	£ 47,458,106	£ 53,561,182	£ 52,943,302	£ 58,017,315	£ 58,428,380	£ 61,121,298	£ 61,656,290	£ 60,104,390	£ 65,361,536
Total	- -	£ 65,079,109	£ 63,751,666	£ 67,355,950	£ 73,013,229	£ 73,909,411	£ 78,716,034	£ 80,267,847	£ 82,109,996	£ 83,970,902	£ 81,360,820	£ 86,865,279
Closing Cash Balance	- { India - England -	£ 10,598,981	£ 11,880,301	£ 12,082,416	£ 11,869,552	£ 10,749,770	£ 11,781,457	£ 10,328,237	£ 12,851,723	£ 10,235,827	£ 12,295,428	£ 13,566,922
Total	- -	£ 14,690,907	£ 18,573,438	£ 17,850,203	£ 19,164,334	£ 21,012,351	£ 20,217,976	£ 15,935,049	£ 18,590,212	£ 18,689,542	£ 28,105,046	£ 31,741,271

## STATEMENT II.

(Referred to in para. 18.)

ADDITIONS to the BANK and other RESERVES in GOLD of some important COUNTRIES.

Banks and Treasuries.	31st December 1889.	31st December 1899.	31st December 1910.
Bank of England	17,784,000	29,002,000	31,095,000
Scotch Banks of Issue	4,591,000	6,227,000	4,918,000
Irish Banks of Issue	3,480,000	2,816,000	3,649,000
Germany—Imperial Bank	12,234,000	22,939,000	32,760,000
German War Fund	5,869,000	5,869,000	5,869,000
Austria-Hungary	5,426,000	43,982,000	54,971,000
Bank of France	50,471,000	74,310,000	130,050,000
Bank of Spain	6,009,000	13,485,000	16,301,000
Bank of Portugal	1,028,000	1,075,000	1,348,000
Bank of Netherlands	5,069,000	3,730,000	10,391,000
National Bank of Belgium	2,606,000	4,329,000	5,037,000
Bank of Italy	18,132,000	15,702,000	{ 38,670,000
Bank of Sicily			2,261,000
Bank of Naples			8,091,000
Bank of Russia	42,565,000	90,275,000	130,288,000
Bank of Finland	861,000	888,000	873,000
National Bank of Romania	2,011,000	1,444,000	4,759,000
National Bank of Bulgaria	426,000	127,000	1,254,000
National Bank of Servia	345,000	286,000	992,000
Imperial Ottoman Bank	740,000	1,381,000	6,171,000
Royal Bank of Sweden	1,379,000	2,195,000	4,482,000
National Bank of Denmark	2,754,000	3,249,000	4,085,000
National Bank of Norway	1,755,000	1,755,000	1,904,000
Banks of Switzerland	2,364,000	3,890,000	6,187,000
Bank of Greece	21,000	79,000	40,000
United States—In National Banks	17,348,000	41,860,000	46,849,000
In State Banks	5,306,000	16,400,000	16,323,000
In the Treasury	64,459,000	82,279,000	226,731,000
Bank of Australia	18,465,000	21,862,000	37,915,000
Canadian Treasury and Banks	1,505,000	4,651,000	22,235,000
Banks of South Africa	1,028,000	6,740,000	10,357,000
Total	296,031,000	503,850,000	866,856,000

## STATEMENT III.

(Referred to in para. 18.)

ABSORPTION of GOLD for purposes other than the ADDITION to BANK RESERVES from 1890 to 1910.

	Net Addition to Stock of Gold.	Addition to Reserve.	Net Absorption for other Purposes.	Population.
United Kingdom	115,200,000	13,807,000	101,393,000	45,216,665
United States of America	276,900,000	202,790,000	74,110,000	92,027,874
Germany	144,000,000	20,526,000	123,474,000	64,903,423
France	205,700,000	79,579,000	126,121,000	39,252,245
Italy	30,700,000	10,041,000	40,741,000	34,687,000
India	126,600,000	6,500,000	120,100,000	315,086,372
Total	899,100,000	313,161,000	585,939,000	

## STATEMENT IV.

## CORRESPONDENCE REFERRED TO IN PARA. 19 (II.).

1. Letter from the Secretary, Indian Bank, Ltd., to the Currency Officer, Fort St. George, Madras, dated 25th January 1910.

I beg to enquire if you issue sovereigns to the public, and if so, whether you can arrange to issue to us 500*l.* sovereigns the cost of which will be sent to you on your reply.

2. Letter from the Assistant Accountant-General, in charge of Paper Currency Department, to the Secretary, The Indian Bank Ltd., Madras, dated 26th January 1910.

With reference to your letter No. A. 10/444 dated 25th January 1910, I have the honour to state that sovereigns are issued to the public at not more than 100*l.* a day to each applicant.

3. Letter from Mr. Vidya Sagar Pandya to the Accountant-General, Madras, dated 15th August 1913.

I beg to enclose herewith a copy of my letter addressed to you as Secretary of the Indian Bank, Limited, dated the 25th January 1910, and a copy of your reply to the same dated the 26th idem. I shall feel obliged if you will kindly favour me with a copy of instructions or Government Order under which the issue of sovereigns to the public was so restricted and the circumstances under which it was done. If you have any other circulars or orders issued during the years 1908 up to date regarding the issue of sovereigns to the public, I have to request you to kindly send copies of the same. This information is required in connection with my evidence before the Royal Commission on Indian Finance and Currency in London.

4. Letter from the Officiating Commissioner of Paper Currency to Mr. Vidya Sagar Pandya dated 20th August 1913.

With reference to your letter dated 15th August 1913, I have the honour to state that, formerly the issue of the sovereigns used to be restricted with reference to the available balance from time to time but that no restriction is now placed over the issue of sovereigns to the public, except that the issue of more than 10,000*l.* to a single party on one day requires the sanction of the Comptroller-General to whom the purpose for which the gold is asked for has to be reported.

## STATEMENT V.

(Referred to in para. 20).

STATEMENT of some of the INVESTMENTS in INDIA.  
(In Lakhs of Rupees.)

Year.	Total Capital and Reserves of Banks in India.	Private Deposits in Banks.	Total.	Post Office Savings Banks closing Balance.	Capital of Joint Stock Companies Registered in India.	Amount of Policies Issued by 17 Insurance Companies) in India.	Permanent Debt in India.	Year.
1890	4,99	25,01	30,00	635	24,25	11	—	1890
1891	5,05	26,22	31,27	706	26,35	12	—	1891
1892	5,12	25,07	30,19	782	26,46	16	—	1892
1893	5,27	24,31	29,58	827	26,65	15	—	1893
1894	5,43	27,39	32,82	840	27,06	21	—	1894
1895	5,85	29,09	34,94	904	28,87	22	—	1895
1896	6,09	28,45	34,54	964	30,35	17	—	1896
1897	6,51	26,06	32,57	929	32,09	23	—	1897
1898	6,89	27,16	34,05	943	34,60	59	—	1898
1899	6,94	29,54	36,48	965	34,46	45	—	1899
1900	6,87	31,46	38,33	1,004	36,09	52	—	1900
1901	7,15	35,47	42,62	1,068	37,22	47	116,19	1901
1902	7,31	41,80	49,11	1,142	37,91	64	117,55	1902
1903	7,36	45,06	52,42	1,238	38,57	81	119,42	1903
1904	7,55	49,80	57,35	1,341	40,17	89	122,29	1904
1905	7,86	51,30	59,16	1,399	41,63	87	126,08	1905
1906	8,30	57,09	65,39	1,477	44,05	97	130,45	1906
1907	9,48	61,28	70,76	1,518	50,40	1,40	132,83	1907
1908	9,78	64,39	74,17	1,523	56,72	1,78	134,56	1908
1909	10,32	73,41	83,73	1,587	61,18	2,24	136,84	1909
1910	10,67	82,31	92,99	1,692	63,73	2,83	138,09	1910
1911	11,13	84,91	96,04	1,890	69,02	2,84	—	1911
1912	—	—	—	—	—	2,62	—	1912

## STATEMENT VI.

(Referred to in para. 20.)

EXTRACT from "CAPITAL," June 25th, 1908.

But how is this to be managed? One thing certain, it cannot be managed in a day. A great preparation is needed before the ingrained hereditary custom of hoarding will break down before the light which is now breaking in upon every other thing in India. And the preparation must begin in the primary schools, and be carried right up through the higher schools, colleges and universities. If the sons of the wealthy nobles and zemindars got a good all-round education from their youth up, not merely of a literary order, but were trained in the sciences and the arts and in their application to the development of everything relating to modern life. If their minds got lightened up by coming, in the course of their education, into practical contact with the fascinations (for example) of electricity and the immense possibilities of its applications to industrial life; to the wonderful revelations of chemistry; to engineering, civil and practical; to textile manufacturers; to agricultural and commercial enterprise and to the providing of facile means of inter-communication by canals and railways of commercial transport throughout India and to its ports—if, I say, the sons of the wealthy of the land were brought up through an education such as I have indicated, the great hoards would begin gradually to open to be directed into fruitful channels, and the Government of India would never be at a loss where to get money for needful railway construction. The leaders of the *swadeshi* movement (all success to them) may lay to heart this truth that until the vast hoards of India's internal wealth are available for the development of the country, *swadeshi* will lead a starved life. Education, education, education, are the three requisites for thawing the frozen hoards of India. And this cannot be realised a day too soon.

## STATEMENT VII.

(Referred to in para. 27, III.)

## The DEVELOPMENT of CREDIT and of IMPORTS and EXPORTS in INDIA.

Year.	Capital and Reserve of Banks in India in Lakhs of Rs.	Private Deposits in Banks in India in Lakhs of Rs.	Clearing House Returns, Calcutta, Bombay, and Madras in Lakhs of Rs.	Index Numbers.			Imports and Ex- ports of Merchan- dise and Treasure excluding Govern- ment Stores.		Year.	
				Capital.	De- posits.	Clearing House Returns.	Total.	In Lakhs of Rs.	Index Nos.	
1890	4,99	25,01	1,37,75	96	98	94	96	193,16	99	1890
1891	5,05	26,22	1,46,50	98	102	100	100	192,49	98	1891
1892	5,12	25,07	1,43,81	99	98	98	98	193,07	99	1892
1893	5,27	24,31	1,46,08	102	95	100	99	202,86	104	1893
1894	5,43	27,39	1,58,34	105	107	108	107	196,70	100	1894
1895	5,85	29,09	1,75,79	113	114	120	116	201,18	103	1895
1896	6,09	28,45	1,81,23	118	111	124	118	193,71	99	1896
1897	6,51	26,06	1,90,73	126	102	130	119	194,42	99	1897
1898	6,89	27,16	1,76,25	133	106	120	120	206,39	105	1898
1899	6,94	29,54	2,02,55	134	115	138	129	208,60	107	1899
1900	6,87	31,46	2,12,35	133	123	145	134	207,58	106	1900
1901	7,15	35,47	2,11,49	138	139	144	140	234,09	120	1901
1902	7,31	41,80	2,29,49	141	163	157	154	241,68	124	1902
1903	7,36	45,06	2,43,91	142	176	166	165	277,88	142	1903
1904	7,55	49,80	2,51,07	146	195	171	171	295,20	151	1904
1905	7,86	51,30	3,00,45	152	200	205	186	292,18	149	1905
1906	8,30	57,09	3,31,48	161	223	226	203	318,14	163	1906
1907	9,48	61,28	3,66,38	183	239	250	224	345,53	177	1907
1908	9,78	64,39	3,56,20	189	252	248	228	302,89	155	1908
1909	10,32	73,41	3,61,00	200	287	246	244	348,77	178	1909
1910	10,67	82,31	4,10,08	207	322	280	270	386,26	197	1910
1911	11,13	84,91	4,54,51	215	332	310	286	430,19	220	1911

## STATEMENT VIII.

(Referred to in para. 27, IV.)

## PERCENTAGE of CASH to LIABILITIES of the THREE PRESIDENCY BANKS.

Year ending December.	Bank of Bengal.	Bank of Bombay.	Bank of Madras.
1893	44·69	56·5	44·0
1894	58·68	62·3	43·1
1895	47·21	51·7	43·8
1896	36·41	31·5	42·8
1897	39·11	28·0	37·7
1898	40·18	32·9	43·2
1899	30·83	29·6	30·6
1900	31·95	24·3	27·4
1901	39·90	35·2	37·6
1902	39·17	42·0	43·5
1903	31·86	29·8	43·9
1904	38·26	40·6	37·5
1905	28·36	32·8	35·7
1906	30·97	37·0	36·3
1907	25·65	33·8	35·4
1908	28·41	39·7	30·3
1909	31·40	35·2	25·8
1910	28·02	35·4	28·8
1911	36·82	36·7	24·2
1912	33·18	24·9	24·0

Taken from the Investor's India Year Books, 1911 and 1913.

## STATEMENT IX.

(Referred to in para. 30B.)

ROUGH ANALYSIS of the LIST of SHAREHOLDERS of the BANK of MADRAS,  
August 1913.

A.—

—	Ladies.	Number of Share-holders entitled to no Vote.	Number of Shareholders showing the Number of Votes each are entitled to.										Total Number of Share-holders.
			1.	2.	3.	4.	5.	6.	7.	8 to 10.	11.	12.	
Indian	25	89	65	16	4	2	1	2	—	—	1	1	181
European	200	235	365	96	43	12	4	6	1	Nil	—	—	762
Grand Total	225	324	430	112	47	14	5	8	1	Nil	1	1	943

B.—

		Shares.	Rupees.
Number of shares held by natives	-	3,342 $\frac{1}{2}$	= 1,67,12,50
" " "	Europeans	11,675 $\frac{1}{2}$	= 5,82,87,50
Total	-	-	7,50,00,00

C.—Classification of Indian shareholders :—

Mahomedans	-	-	-	13
Bengali	-	-	-	1
Parsi	-	-	-	47
Christians	-	-	-	4
Hindus	-	-	-	116
Total	-	-	181	

## STATEMENT X.

(Referred to in para. 30B.)

### ANALYSIS OF ATTENDANCE of SHAREHOLDERS at the GENERAL MEETING of the BANK of MADRAS.

Year of the General Meeting.	Number of Directors on the Board at the date of the Meeting.	Present in Person.			Present by Proxy.		
		1. Direc- tors, Ex- Directors, and Partners of their Firms.	2. Mem- bers of Staff.	3. Shareholders other than Directors, Ex-Directors, and Partners or Members of the Staff.	1. Proxies in favour of Directors or Partners.	2. Proxies in favour of Staff.	3. Proxies in favour of Shareholders other than Directors, Ex-Directors, and Partners or Members of Staff.
		—	—	—	—	—	—
1893	—	—	—	—	—	—	—
1894	—	—	—	—	—	—	—
1895	—	—	—	—	—	—	—
1896	—	—	—	—	—	—	—
1897	—	—	—	—	—	—	—
1898	—	—	—	—	—	—	—
1899	—	—	—	—	—	—	—
1900	—	—	—	—	—	—	—
1901	—	—	—	—	—	—	—
1902	—	—	—	—	—	—	—
1903	—	—	—	—	—	—	—
1904	—	—	—	—	—	—	—
1905	—	—	—	—	—	—	—
1906	—	—	—	—	—	—	—
1907	—	—	—	—	—	—	—
1908	—	—	—	—	—	—	—
1909	—	—	—	—	—	—	—
1910	—	—	—	—	—	—	—
1911	—	—	—	—	—	—	—
1912	—	—	—	—	—	—	—
1913	7	7	2	3 (includes one Broker).	—	—	—

## STATEMENT XI.

(Referred to in para. 30B.)

### EXTRACT from "THE MADRAS MAIL," MADRAS.

The Annual General Meeting attended by only one shareholder and held in a room in which the temperature was registering 95 degrees is probably unique in the annals of banking. Such were two of the best remarkable features of yesterday's annual meeting of the Bank of Madras. Of the temperature we prefer to say nothing. Heat, we are told, generates heat, and it would be impossible to refer to the subject coolly. As regards the presence of only a solitary shareholder we consider that a greater compliment could not be paid to the Board of Directors and the executive staff. It proves that the shareholders as a body consider that the affairs of the bank are being conducted in the best possible manner and that there is no fault to be found anywhere or with anybody.

Mr. Decaster, the one representative of the shareholders present, when he found that he was unable to pass his vote of confidence and congratulations on account of there being no seconder, must have felt himself in a rather awkward predicament, but the intention was no doubt accepted with the same pleasure that it would have been had it been possible to embody it.

The Hon. Mr. Byson's speech, though addressed to practically empty chairs, will no doubt be read in print by the majority of the shareholders. . .

## STATEMENT XII.

(Referred to in para. 32.)

**AUDITORS of the BANK of MADRAS.**

Names of Auditors.	1898	99	1900	01	02	03	04	05	06	07	08	09	10	11	12	13
1. A. Ronaldson - - -	P	P	P	P	P	P	P	-	-	-	-	-	-	-	-	-
2. G. L. Yonge - - -	P	P	P	-	-	-	-	-	-	-	-	-	-	-	-	-
3. E. J. Firth - - -	-	-	-	P	P	P	P	P	P	P	P	P	-	-	-	-
4. E. J. Drysdale - - -	-	-	-	-	-	-	-	P	P	-	-	-	-	-	-	-
5. Fraser & Ross - - -	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a. Ian S. Fraser, C. A. - -	-	-	-	-	-	-	-	-	-	-	P	P	-	-	P	P
b. Graham Ross, C. A. - -	-	-	-	-	-	-	-	-	-	-	-	-	P	P	P	P
6. A. H. Lewis, C. A. - -	-	-	-	-	-	-	-	-	-	-	-	P	P	P	P	P

### STATEMENT XIII.

(Referred to in para. 39.)

BANK OF MADRAS.

**LIST of FIRMS from which the DIRECTORS of the BANK of MADRAS  
are elected.**

## APPENDIX XXXI.

STATEMENT OF EVIDENCE SUBMITTED BY MR. STANLEY REED, LL.D.,  
EDITOR OF "THE TIMES OF INDIA," BOMBAY.I.—*Indian Finance and Indian Politics.*

1. The main point which I would venture to place before the Commission is that Indian finance cannot be dissociated from Indian politics. The two are indissolubly linked. I would quote in support of this view the authority of Lord Cromer, himself a former Finance Minister of India, who said :—

"It is essential to bear in mind that the difficulties which beset this question (the preferential question) are not solely fiscal; but also political. This feature is almost invariably characteristic of oriental finance and nowhere is it more prominent than in India."\*

I submit then that the questions relating to Indian finance and currency must be considered in relation to the political and economic condition of India. In both respects the country has undergone a profound revolution in the past 15 years.

2. The most remarkable political phenomenon of modern times is the renaissance of Asia. This has been aptly described as the rapid transformation of the Asiatic peoples from a state of passive acquiescence in the act of being governed into a quick desire to govern themselves. These forces have been seen at work in Japan; they are now operating in China. They have affected the foundations of Indian Society, where they gave rise to the movement which is generically known as Indian Unrest.

3. No modern movement has been more widely misunderstood. Attention has been too largely concentrated on the maleficent aspect of the Unrest—the violent political agitation accompanied by anarchical crime. Behind these malignant forces there has stood a great quickening of the dry bones of India, affecting every phase of society and stimulating the national life to an unprecedented degree.† These new forces have permitted a decennium of unparalleled activity—political, economic and social. The transformation is so great that it has led to the commonplace amongst experienced administrators, that the country is changing so fast that no one who has been absent five years is qualified to pronounce a confident opinion on its present day problems. It was to meet these altered conditions that the Legislative Councils were enlarged and their powers expanded, and the administration liberalised, in 1909. The scope and purpose of these changes are indicated in the last official report on the condition of India :—

"There has been noticeable of recent years a certain quickening of interest among the more educated classes in India, in questions affecting the public welfare—not only in political questions in the narrower sense, but also in questions regarding such subjects as education, sanitation, and the development of Indian industries. With this has gone a desire to take a larger share in shaping the policy of Government and in the work of administration. The momentous changes in the constitution and functions of the Legislative Councils introduced under the Indian Councils Act of 1909 had their origin in a recognition of these aspirations and a desire to entrust to the leaders of the Indian peoples a greater share in legislation and government, and wider opportunities of expressing their views on administrative measures."‡

4. In the unreformed Imperial Legislative Council no representative of commerce and industry took his seat as of right, although the chairman of the Calcutta Chamber of Commerce was usually nominated. In the Council

\* "The Spectator," July 19th, 1913.

† The official report on the Condition of the People in the Central Provinces (1901–02 to 1911–12) asserts "No one dare say that the new spirit has not brought to India an amount of good which vastly outweighs the evil."

‡ Moral and Material Progress of India, 1901–02 to 1911–12.

to-day the chairmen of the Calcutta and Bombay Chambers sit as of right, together with a representative of the Indian commercial community. The change in the Provincial Councils is less marked, but can be indicated by two instances. The Bombay Legislative Council is entitled to elect three members to the Imperial Council. At the first election in 1909 it sent a prominent millowner and merchant, a distinguished Indian economist, and only one lawyer. At the second election in 1912 it chose one millowner, one merchant, and one economist. It is not exaggerating to say that the most notable result of the changes of 1909 has been to give commerce and industry, for the first time, their rightful place in the counsels of the Government, and to transform the character of the wider and freer debates in the Imperial and Provincial Legislative Assemblies in the direction of giving greater prominence to financial and economic questions.

5. The enlargement of the Legislative Councils upon these principles, and the quickened interest in Indian economic questions which has followed, are incompatible with the retention of large powers over the administration of Indian finance by the Secretary of State. The Government of India has been made susceptible to the impact of organised public opinion. It is the logical corollary of this policy, deliberately adopted to meet the altered conditions of India, that the Government of India shall have the power to defer to this criticism when it carries conviction. Over a wide range of administrative questions this is already the case. With regard to finance it is not. The position cannot be better indicated than it was by a writer in "The Times," who said :—

"The recent constitutional changes in India make it most dangerous to adhere to the old methods of secret bureaucratic administration. During the past few years the leaders of the educated classes in India have been invited to assist the Administration with their criticism and advice, and every effort is made to furnish them with the information and aid which they require for the effective performance of these new responsibilities. . . . Now consider the present position of such an Indian statesman. In every branch of the administration except one his advice is welcomed and his criticisms receive full consideration, while he is given all the information that he can possibly require to enable him to form a sound opinion for himself. But when the question relates to the Secretary of State's financial transactions he finds himself in a very different atmosphere ; 'The Secretary of State reserves entire discretion' ; 'The India Office will not agree to that' ; 'the matter rests with the Secretary of State' ; he has to be content with such phrases as these. Naturally, the Bluebeard's cupboard in distant Whitehall excites his liveliest curiosity, and since he is heir to centuries of the intrigues and dishonesty that constitute the Oriental idea of administration, is it any wonder that when information is withheld he suspects the worst ?"\*

6. Apart from these considerations, the administration of a large part of the Indian finances by the Secretary of State is undesirable because it is opposed to the true principle of parliamentary control over India, as enunciated by the present Under-Secretary of State. Speaking of the necessity of devolution in the administration of India during the Budget debate, 1913, Mr. E. S. Montagu said :—

"The tightness of control of each step in the machine is an excuse for the step below. . . . I know I shall be told indignantly by hon. members that, were it not for their interpolation of questions as to Indian affairs there would be no opportunity of any public and recognised criticism of the Indian Government. All these things are a matter of degree, and as time goes on, you take steps in India to bring the Government more and more face to face with the people; and every step that you take in India in that direction ought to lessen control here. But I should like to remind the House that evolution in this respect was accomplished by the recent reforms, and that in the Legislative Councils now enlarged, elective and representative, questions

\* "The Times," November 1912.

are asked and answered, resolutions moved and discussed, on questions of every variety of importance concerning every branch of administration. It is only necessary to glance at the proceedings of one of these Councils to realise that a very genuine interest in administration is taken by the leaders of Indian opinion, and that there is very little danger that any real or apparent grievance, or any Government action of any kind which appears to require explanation, will pass unchallenged."

## II.—*Economic Changes in India.*

7. These political changes have been transcended by the economic revolution in India. In part the two are associated, in part they are distinct. The past 15 years have been indelibly marked by famine and pestilence. Both visitations have left permanent impressions. Famine has made the Indian people more resourceful and Indian labour more mobile; plague, unlike famine, which chiefly affects the young and aged, and is corrected by greater reproductivity, has taken heaviest toll of those in the prime of life. These two forces have effected a revolution in rural India comparable only to the results of the Black Death in England in the fourteenth century. The social and economic changes have been quickened by political activity. There can be no doubt that the swadeshi movement in Bengal, though it resulted only in a temporary and sterile boycott in the Province where it had its origin, markedly stimulated industrial progress in India. Industrial development became imbued with the missionary spirit, and Indians of all classes realised that they were pursuing a genuinely patriotic policy in assisting in the development of the industrial resources of their country, either by actually promoting industrial enterprises themselves, or in investing their wealth in them. It is difficult for those who do not live in India, and who are not actually in touch with its sentiments, to realise how deep this movement has gone. Some evidence lies on the surface, like the growth of trade, the development of industry, the increase in banking deposits, the enlistment of Indian politicians in industry and commerce, the floating of the Tata Iron and Steel Works, and Hydro Electric Works,—the first essay of Indians in major industry—with Indian capital, the enthusiasm with which private gentlemen have given themselves to the propagation of co-operative credit, the establishment of organisations for the uplifting of the masses and the depressed classes on a basis of service. But for the most part this revolution is unseen.

8. Although the economic literature relating to India is defective, still we are not without the means of gauging, from official records, the magnitude of these changes. They are indicated in the chapter on "The Condition of the People" in the last report on the Moral and Material Progress of India for the decennium ended 1912. This reflects in language strongly marked by official conservatism the economic revolution which has been silently effected. These conditions are illustrated by the following excerpts:—

*Punjab.*—“The outstanding features of the decade were plague and colonisation. The first resulted in a reduction of the population in the census decade by 1·7 per cent.; the second in an increase in the cultivated area by 8·14 per cent., and in the more lucrative irrigated area by 14 per cent. These two forces combined have resulted in “an extraordinary increase in the individual wealth of the agricultural community”; “the relief given to congested areas is immense”; and it is now “unlikely that famine relief will ever be required in the future, at any rate on anything like the scale of the past.”

*Central Provinces.*—“The economic development of the Province has certainly been the most striking feature of the decade. The rise in prices and in wages is a point that at once arrests attention. . . . In spite of prices hitherto only associated with years of famine, which would, not many years ago, have sent swarms of villagers to beg or die along the village roads and in the cities, the present is a time of the greatest prosperity for the working classes. The causes of this are simple. There has been a diminution in the supply of labour and an increase in the demand for it.”

*Bombay*.—“The last year of the present decade is interesting because it illustrates the great change that has taken place in the economic condition of the masses. The rainfall is so scanty that there is no doubt that in the previous decade famine would have been declared in Gujarat and the eastern districts of the Deccan. But in fact famine was declared only in the Panch Mahals district, where the population consists largely of the primitive tribes. . . . On the whole, the decade has been a period of general prosperity, of a wider distribution of wealth, and of the expansion of industry and commerce.”

*Madras*.—“It may be fairly said that the people are becoming alive to the necessity of the creation of some new measure of industrial life. There is a strongly marked tendency to industrialism on a small scale. . . . The diffusion of education, the swadeshi movement, the rise in prices, and the even greater rise in the cost of labour, have led to a better appreciation of modern methods of working. New ideas are slowly permeating the mass of the population, and the economic pressure due to improved means of communication with the rest of the world is bringing about a marked change in the method of production.”

*United Provinces*.—“A very marked change is in progress in the standard of life of the upper and middle classes, which may be summarised as ‘a gradual approximation to European standards adapted to local conditions. . . . Among the lower classes of the urban population changes are naturally less marked, but the tendency on the whole is in the same direction.’”

“Owing to the development of industries, much money has been thrown into the Indian market during the last decade. Both the combination and movement of indigenous capital in the country have greatly increased of late. Competition among the new firms has greatly enhanced wages; wage-earners (and some professional men too) now have a greater quantity of money in their hands. At the same time hoarding has markedly declined. Our upper and middle classes now make it a point to invest their savings, or deposit them in banks, which has the same effect. We constantly see instances of this change in our society. It is surprising how little cash even well-to-do people keep in their hands. Professional men and Government servants with large incomes keep with themselves money just sufficient for the expenses of the month, as we see in making an inventory of their property when they die suddenly. Men in service, with good bank balances, have been found to be strangely distressed when the payment of their salary was delayed by a week! At the same time that investment has replaced hoarding, owing to the spread of industrialism, capital is in quicker circulation than ever before, which has the effect of multiplying its volume. Financially India has become one country instead of being a group of mutually distrustful and isolated provinces.”—(“Economics of British India.” By J. Sarkar.)

9. The economic changes indicated in these extracts are corroborated in many directions, and will be still more clearly revealed when the Census report for 1911 is issued. They are signs of greater economic strength; they reveal the emergence of India from the state of depressed and congested agriculture to a state where congestion has been relieved by the arrest of the growth of the population synchronising with the extension of cultivation through irrigation and the spread of industry. In short, India has passed from the stage when extensive emigration was regarded as the cure for all its economic ills, to one when every industry is short of labour. In no direction is this change more marked than in the increased resistance of the people to the shock of famine. The failure of the rains in the United Provinces in 1907 caused a shortage in the autumn harvest of 4,000,000 tons of food grains, and in the spring harvest of 3,000,000 tons; a total of 7,000,000 tons representing a value of 38,000,000<sup>l</sup>. Two years later there was hardly a trace of this famine left. When the rains failed in Gujarat in 1899, the suffering people had to be carted to the relief kitchens to die; a similar failure in 1911 brought no demand for State relief for the people. More significant still is the experience of the Native State of Bhavnagar.

This State suffered severely in the drought of 1899, and when the rains failed in 1911, the same administrators prepared for the relief of eighty-one thousand people for six months at a cost of Rs. 52 lakhs. In practice there was "no distress worth the name and no demand for famine labour."

10. It is sometimes assumed that these changes are the temporary product of a few good seasons. Undoubtedly the prosperity of India will wax and wane according to the character of the seasons, but the changes noted go far deeper than the sequelæ of a cycle of prosperous years. The spread of education, the extension of productive and protective irrigation, the growth of industry, and the quickened national life ensure that India is launched on a course of continuous economic development which nothing but a political cataclysm can arrest. These changed conditions warrant a much more resolute revenue policy in the future, and the free use of Indian resources in India.

In the light of these political and economic conditions, I venture to make the following suggestions on some of the specific points referred to the Commission.

### III.—*Location and Management of Indian Balances.*

11. The balances of the Government of India should be kept in India and administered by the Government of India.

12. The policy now pursued, as disclosed in the evidence before the Commission, is to hold all the surplus funds of the Government of India, over and above the prescribed working balance, at the disposal of the Secretary of State, for him to remit to London through council bills up to the maximum demands of trade. The balances thus accumulated, in excess of the Secretary of State's requirements, are devoted to the avoidance of debt. This practice is open to objection on the following grounds.

13. India has only an insignificant unproductive debt. This burden, which stood at £70 millions in 1902, had been reduced to £12½ millions in 1913; it is in process of automatic liquidation through the operation of the Railway Annuities and the avoidance of debt section of the Famine Insurance Fund.

14. India has already made large sacrifices from revenue for reproductive works. Until comparatively recently the railways were worked at an annual loss to the State, the aggregate loss under this head being variously estimated at from £50 to £36 millions. Since 1877-8 a certain sum has been set apart annually under the Famine Insurance Fund for the avoidance of debt. If that allotment had been funded, it would now amount to approximately £4 millions. India is also redeeming her railway debt through terminable annuities, and that fund amounts in round figures to £10,000,000 since 1902-3. Quite apart from the sums devoted to the avoidance of debt from revenue, India has, under these heads, devoted from £64 to £50 millions to the avoidance of debt.

15. In view of the insignificance of the unproductive debt and the arrangements which have been made for its automatic extinction, it is no longer justifiable to devote Indian surpluses to the avoidance of debt. The productive works should be financed from loans, and the Indian market freely utilised for this purpose, the surpluses automatically accruing to the provincial governments for expenditure on education and sanitation.

16. The practice of withdrawing the surplus funds of the Government from the market and locking them up in the reserve treasuries until they can be released by sales of council bills is a contributory factor in the very high rates of money which prevail in the busy season, and which constitute a severe burden on trade. It is not only that rates for money are high, but that money is on occasion unobtainable on unimpeachable security even at these rates. There is a general demand from trade and industry that these surplus balances, over and above the prescribed working balances and the Secretary of State's budgetted requirements, shall be automatically released for the benefit of trade. Further, in view of the constitution and functions of

the Imperial Legislative Council, the surpluses of the Government of India ought not to be hypothecated, either directly or indirectly, before the Budget has been passed by the Council, and then only in accordance with the principle that the claims of education and sanitation are stronger than those of reproductive works which ought to be financed out of loans.

#### IV.—*The Reserves.*

17. The profits on coining, and any interest that may accrue, should be devoted to building up the gold standard reserve, without limit, until such time as further experience, followed by independent inquiry, establishes beyond doubt that the reserve is sufficient to meet all reasonable requirements.

18. Until an effective gold circulation is established the gold standard reserve is the real buttress of exchange. Great Indian interests are associated with the stability of exchange; they would prefer the confidence accruing from an unimpeachable gold holding to any temporary advantage from interest, or to the diversion of any portion of the reserve to the avoidance of debt. The present limit of £25 millions is based on the experience of 1907–8. That, I suggest, is an unsafe guide; the conditions of 1907–8 were abnormal, and the next crisis, whether it be more or less severe, will be very different. Whilst recent changes have given greater economic stability to India, the volume of the token currency has increased, the foreign trade has grown; again in 1907–08 the famine area was limited, it was succeeded by good seasons, and the storm centre was not in London. The time has not arrived when we can estimate with confidence the demand which may be made on the reserve, and which Government ought to be prepared to meet immediately and in full.

19. The gold in the gold standard reserve should be held in India. The course of events has weakened public confidence in the reserve. The Fowler Committee recommended that it be held in gold; the Secretary of State decided that it should be held in Consols in London. In 1906 the Government of India decided to hold a portion of the gold standard reserve in silver; despite the strong protests of the Bengal and Bombay Chambers of Commerce, and of the late Sir Edward Law, who instituted this reserve, this practice still obtains, although under another name. In 1907 it was decided to devote half the profits on coining to railway construction, and a million sterling was allocated to this purpose before the practice was abandoned in deference to the pressure of public opinion. These changes were made, impairing the utility of the reserve for its only legitimate purpose, without any consultation with commercial interests in India. The time and method of the employment of the reserve, and the control of the reserve, are at the discretion of the Secretary of State, who does not number amongst his financial advisers at the India Office any with Indian experience. These conditions induce the demand, strongly expressed by the Bombay Chamber of Commerce in 1907, and in the Imperial Legislative Council in 1912, that a substantial portion of the reserve shall be held in gold in India.

#### V.—*A Gold Mint.*

20. The Indian Mints should be opened to the free and unrestricted coinage of sovereigns, the Government of India to have the right to strike any subsidiary gold coin which they may deem necessary. The main ground on which I advocate the establishment of a gold mint is that it would provide the machinery for the rapid conversion of the great stores of gold bullion held in India into currency when they came out under pressure of famine. The second ground is that, in the opinion of experienced Indian bankers, the coinage of sovereigns in India would exercise a material influence in promoting the circulation of the sovereigns actually absorbed. So far as I can ascertain, the only argument against the establishment of a gold mint in India is that it would be an unnecessary expense. India is perfectly willing to bear the expense. Neither the Government of India, nor the Indian publicists and economists who have pressed for the execution of the policy laid down when the gold standard was established, have suggested that the

cost of the Mint should be borne from any source other than the profits on coining, of which it would form but a fraction. As against this expense must be set the saving of the cost of remitting light weight sovereigns to London; this was 13,600*l.* in 1912-13.

#### VI.—*The Finance Committee.*

21. The composition of the Finance Committee of the Secretary of State's Council is inconsistent with established conditions in India. Formerly Indian opinion was represented on the Committee, either by a retired officer of the Finance Department, or by an ex-official of one of the Presidency Banks. But since the retirement of Mr. Hardie and the return of Mr. J. F. Finlay to India, Indian interests have ceased to be directly represented. On the retirement of Lord Inchcape in 1911, they ceased to be indirectly represented. The Finance Committee of the India Office Council has consisted since 1911 of two London Joint Stock Bankers and one member of the Home Civil Service, none of whom has any direct knowledge of Indian conditions. The Committee so constituted exercises wide powers. The Council on whose behalf, or by whose advice, it acts over-rules the Government of India in important matters of finance, and acts not only as a financial arbiter, but almost as a financial autocrat.\*

22. I am of opinion that the Finance Committee of the Secretary of State's Council should be reorganised so as to provide for the representation of at least the Finance Department of the Government of India; the Presidency Banks; and Indian commerce and industry.

#### VII.—*A State Bank.*

23. In the absence of any detailed scheme, it is impossible to express an opinion on the question of a State Bank. There is no strong demand for it in India. The advantages of such an institution are recognised. It would relieve the Secretary of State of a large amount of remittance and banking business which would be more correctly transacted by a Bank. It would relieve the Government of India of the management of the paper currency, and a great volume of Treasury work, which, though very efficiently done, could be still more effectively transacted by a State Bank. It would also provide the means of automatically placing the surplus funds of Government at the disposal of trade and probably increase the use of currency notes, attract depositors, and induce a reduction in the Government working balances. These advantages are so manifest that if we had a *tabula rasa*, probably there would be no strong opinion in favour of dividing India into three separate zones operated by the Presidency Banks.

24. But we have not a *tabula rasa*. On the contrary, we have a complex system on to which the State Bank would have to be grafted. Not only is India a large country; but it is one of widely diversified conditions. The commerce and industry of Calcutta are carried on under conditions totally different from those which prevail in Bombay. The Exchange Banks enter largely into the internal commerce and industry of India. Swadeshi banking has made considerable strides and has come to stay. All these interests are entitled to consideration before a State Bank comes into operation. Some are uneasy at the probable effects of the proposals which have been given currency.

25. For these reasons I suggest that if the Commission decide in principle in favour of a State Bank, the question, with any scheme which may be adumbrated, be referred to a small committee, which will take evidence in the chief cities of India, so that all interests affected may have an opportunity of expressing their opinion.

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\* Lord Curzon, the House of Lords, November 1912.

## APPENDIX XXXII.

STATEMENT OF EVIDENCE SUBMITTED BY MR. LAURENCE CURRIE, MEMBER  
OF THE INDIAN COUNCIL AND OF ITS FINANCE COMMITTEE.*Balances in London.*

1. It seems certain that it will be necessary for the Secretary of State to keep large balances in London; and it is therefore important to consider how these balances should be employed. The practice, described in Mr. Badock's Memorandum,\* of lending on securities to an approved list of borrowers, has proved satisfactory in the past; and I understand that no loss has ever been incurred by the Secretary of State in respect of these loans. At times, however, the balances are so large that it is impossible to find sufficient borrowers with the requisite security; and it was to meet this difficulty that it was decided to deposit with certain approved banks the money which could not be lent against securities. While I think that this was justifiable as a temporary expedient, I should not like to revert to it and still less to establish it as part of the regular practice.

2. As a general rule, it should be possible to keep the balances in London below 10,000,000*l.*, which sum can always be lent to the approved borrowers. If, owing to exceptional causes, they should rise much above this figure, I think that the Secretary of State might lend against bank bills. The Bank of England would, of course, be instructed only to take in such bills as security for the loans as they would themselves take when lending to the market. In practice, it would probably be found desirable to restrict loans against bills to the two discount companies and to two or three of the larger firms. A possible objection to lending against bills is that it might interfere with the market for Indian Railway Debentures, which are at present largely used by the discount market as security for their existing loans. I should suggest, therefore, that if it is decided to lend against bills, that not more than one-third of the total loans should be so lent.

*Balances in India.*

3. As regards lending any part of the cash balance in India, I doubt whether this would be desirable. If, however, the objections of the Government of India could be overcome, I think that a portion of the paper currency reserve might advantageously be lent against securities, as has been suggested.

*Gold Standard Reserve.*

4. I consider that the gold standard reserve should be held mainly in London, where alone it can be utilised if required.

5. I entirely agree with the policy adopted in recent years of buying short dated securities instead of permanent stocks for the gold standard reserve. I believe that it would be best to sell gradually all the irredeemable stocks, and to hold the English portion of the reserve in:—

- (1) Short dated securities with not more than four years to run.
- (2) Loans against securities.
- (3) Gold lodged at the Bank of England.

It is unfortunate that the sale of the existing securities must entail serious loss; but it seems probable that a greater loss will be incurred by continuing to hold them.

*Council Bills.*

6. I think that the sale of Council Bills is the best and most economical method of remitting the balances of the Indian Government to London, and I cannot usefully add anything to what Mr. Abrahams has said on this subject. I agree with him that it would be unwise to restrict the sales by any of the methods suggested. Such a restriction could not, I believe, fail to hamper Indian trade, and to bring about an unnecessary export of gold from this country.

*Gold Coinage.*

7. I am not at present in favour of coining gold in India. I doubt if there is any genuine demand for it amongst the commercial community; and

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\* See Cd. 7070, page 309.

the arguments advanced in support of the proposal appear to be mainly sentimental. There is, I think, no evidence to show that the British sovereigns at present circulating in India fail to supply the necessary gold currency.

### APPENDIX XXXIII.

**STATEMENT OF EVIDENCE ON THE INDIAN GOLD PROBLEM AND  
THE VARIOUS MATTERS CONNECTED WITH INDIAN CURRENCY AND FINANCE**  
SUBMITTED BY MR. DADIBA MERWANJEE DALAL, SENIOR PARTNER,  
MESSRS. MERWANJEE AND SONS, STOCK, BULLION, EXCHANGE AND FINANCE  
BROKERS, BOMBAY.

#### STATEMENTS.

- I.—India and the Empire.
- II.—The Circulating Currency of India.
- III.—How and why India draws Gold.
- IV.—India does not hoard Gold.
- V.—India's Consumption of Gold for the Industrial Arts.
- VI.—Consumption of Gold of Principal Countries in Industrial Arts in 1911.
- VII.—India's just share of the Annual Production of Gold.
- VIII.—How to reduce India's Demand for Gold.
- IX.—Transportation Charges on Gold.
- X.—A Gold Mint for India.
- XI.—The Minting of Sovereigns in India.
- XII.—Seigniorage on Coinage of Gold in India.
- XIII.—The Three Government Reserves.
- XIV.—Gold Standard Reserve.
- XV.—"Gold Standard" not "Gold Exchange Standard."
- XVI.—Paper Currency Reserve.
- XVII.—Council Bills.
- XVIII.—Cash Balances in London.
- XIX.—Cash Balances in India.
- XX.—Presidency Banks or State Bank.
- XXI.—Purchases of Silver.
- XXII.—Financial Organisation and Procedure of the India Office.

#### I.—INDIA AND THE EMPIRE.

1. In the past fifteen years India has made great economic strides. The patient industry of her people, the magnitude of her resources, the developments induced by the extension of irrigation, the spread of railways and the growth of industry have made her one of the great economic forces of the world. Already she is the largest consumer of British manufactured goods, and is one of the principal suppliers of the world's demand for cotton, wheat, seeds, jute and rice. She has more recently entered the field of major industry, and Indian pig iron finds a market in the Far East and South America. The magnitude of her trade and the high prices of produce have, since the adoption of the Gold Standard, set up a demand for the precious metals which has drawn upon her the gaze of the money markets. The problems arising from these conditions are not mere matters of accounts ; they must, I submit, be considered in close relation to the economic and political importance of India ; they must be adjusted with a full appreciation of the position of India in the Empire—a position which, as Lord Curzon has appositely said, entitles her to be given a place of pride in the Imperial partnership and to be placed at the high table in the banquet hall of the Empire States.

#### II.—THE CIRCULATING CURRENCY OF INDIA.

2. The Comptroller-General and Head Commissioner of Paper Currency in his report for 1911-12 estimates each denomination of currency in the following words :—"The latest estimate of the number of rupees in circulation

" is 180 crores and the figures for gold and currency notes respectively may " be taken to be 60 crores each." This works out into sterling as follows :—

	£
180 crores silver Rupees	- - = 120,000,000
60 crores worth Gold Sovereigns	- - = 40,000,000
60 crores Paper Currency	- - = 40,000,000
	<hr/>
	200,000,000

3. The total floating metallic currency, according to the above estimate, is about 61,250,000 sovereigns and 1,954,600,000 silver rupees. The volume of silver rupees is enormous, and causes anxiety to the Government and to Indian economists and cambists. The problem arising from this mass of token currency does not yet present any special difficulties ; but certainly calls for tactful, expert handling. It is necessary to avoid as far as possible fresh rupee coinage ; and to secure the confidence of the Indian people, Currency Notes should be made bullion certificates pure and simple and the metallic reserves should be located in India. For the next ten or fifteen years, until the currency and banking arrangements are perfected, the people in some districts will have to be encouraged to use gold in circulation, in preference to rupees. The longer the whole problem is temporised with or delayed, the stronger will be the ultimate pressure on the world's supply of gold.

### III.—HOW AND WHY INDIA DRAWS GOLD ?

4. The genius of the British has endowed India with 33,000 miles of railways, 37,000 miles of metalled roads, 59,000 miles of irrigation canals, 75,000 miles of telegraph lines and 19,000 post offices. These commercial undertakings of the Government of India are only surpassed by those of the United States and two or three of the leading European nations. With the assistance of these great public services cotton, oilseeds, rice, opium, jute, wheat, &c., produced by the 90,000,000 actual working agriculturists of India, are brought to the ports of export and converted into bills of exchange on foreign countries. As the exports of India in most years exceed the imports and the Government of India's ordinary disbursements in the London market, the ultimate balance of trade has to be settled in bullion and sovereigns. The excess of exports of merchandise over imports since the Fowler Committee reported, i.e., from 1898-99 to 1912-13, amounts to 511,872,000*l.*, and gives an annual average for that period of 34,124,800*l.*

5. The Indian demand for gold will be regulated by the character of the seasons and the efficiency of the transporting agencies. Unfortunately 93 per cent. of the inhabitants of India are illiterate, and such a population cannot easily be induced to accept foreign securities, or modern agricultural and industrial equipment in adjustment of India's balance of trade.

### IV.—INDIA DOES NOT HOARD GOLD.

6. The unfounded and unjust indictment has been made against India that it hoards gold bullion and sovereigns. In the London *Daily Telegraph* of 11th July, 1913, in an article on "Gold Mint for India," it was stated :—

" For generations beyond count it has been the custom of the Indian peasant to hoard his small profits in a metallic form. A story of successive avalanches of alien races, which have swept in succession out of the northern passes and founded new dynasties, has been handed down from his forbears, and habits of mistrust and insecurity, as a consequence, have been inbred, and have found vent in the custom of hoarding. The great ones of the land have had their secret stores of jewels and pits of rupees within their castle walls ; the poor have been in the custom of hiding their scanty reserve of silver coin beneath their huts or boughs, or of adding a bracelet to their daughter's ankles. The very large claims that India has been making recently upon the world's supplies of gold—chiefly coined in the form of sovereigns—have drawn public attention to the fact that these imports have been made, not for currency, but for the purpose of hoarding."

7. *Amount of Gold in India.*—The published statistics of the Government of India begin from the year 1835 and according to Government tables the value in rupees of the net imports of gold into India between 1835 and 1912 was 321 crores (equivalent in sterling at the rates of exchange prevailing from time to time to, roughly, 236,000,000*l.*). For the purpose of dissecting the hoarding theory it is necessary to analyse the imports that took place before and after 15th September 1899, when sovereigns were declared legal tender.

8. *Description of Gold Imported.*—India does not import the gold bars of international commerce, which weigh 400 ozs. each and which the Bank of England is always ready to purchase at 77*s.* 9*d.* per oz. By Notification of the Government of India, No. 2662, dated 26th June 1893, the Mint Masters of Bombay and Calcutta Mints were directed to receive gold bullion at the rate of 7·53344 grains troy of fine gold for one rupee. This important notification was cancelled on 11th December 1906. This action and the absence of a Gold Mint make it impracticable for India to deal in the commercial gold bars so well-known in Europe and America. The Indian demand for gold is confined to the costly 10 oz. London manufactured bars and to sovereigns and foreign coins. The importation of foreign coins, however, is microscopical and need not be investigated. The 10 oz. gold chips that India imports are specially prepared; they are highly polished and bear the name of the importing bank together with the stamp of the London bullion brokers, the minimum cost of these is 77*s.* 10*½d.* per oz. in London. These bars are not only used for industrial purposes, but were also employed until 1899 for purposes of speculation, when the price of gold as measured in rupees was constantly fluctuating. Sovereigns imported before 15th September 1899 were principally for conversion into ornaments and not for currency. The Indian people are particularly fond of shield sovereigns for melting purposes, and give higher prices for them. To procure these the Exchange Banks made special arrangements with the banks in England and in Scotland. They are now very difficult to obtain.

9. *Gold Imports prior to 1900.*—The first Lord Swaythling (then Sir Samuel Montagu, Bart.), in his evidence before the Indian Currency Committee on 12th July 1898, stated "I believe there is something like 300,000,000*l.* of gold now in hoards." I do not feel there is any appreciable amount of secreted or hidden gold in India and regard Lord Swaythling's 300,000,000*l.* as mainly conjectural. Between 1835 and 1900 (a period of 65 years) the net recorded import of gold was, approximately, 135,000,000*l.* The annual average absorption works out at 2,076,200*l.* for the arts, industries, and gold coinage of that period; this indicates only a feeble demand for a great country and does not point to any appreciable burying or secreting of gold. This gold has been scattered all over India and for practical purposes of calculation need not now be taken seriously into consideration. What remains of it after the usual wear and tear is mainly in the shape of ornaments belonging to the women of the country. All women are reluctant to part with their jewellery and the Indian women are particularly tenacious with regard to their ornaments. Terrible famines swept over Western India in 1877 and 1899; and although destitution was intense, and in some districts one quarter of the population was in receipt of Government relief, still gold did not come out for export. The following table shows the gold movements in famine years:—

*Gold Movements in Famine Years.*

Year.	Import.	Export.	Net Import.
1877-1878	1,052,618	740,532	312,086
1896-1897	2,994,119	1,466,761	1,527,358
1899-1900	7,632,530	1,338,797	6,293,733

10. Between 1890 and 1897 there were three or four important and successful "corners" in the 10 oz. gold bars in the Bombay market. Although prices touched high levels, the gold tendered on each occasion was less than half a million sterling and the cornerers made considerable

profits. This goes to show that there was no loose or buried gold about, and that the imported gold bars rapidly melt into ornaments. If there was any buried gold, it would have come promptly to the surface, and would have been tendered for the "corner" settlement and re-purchased on advantageous terms (10 to 20 per cent. profit) for the settlement of the following month.

11. In the year 1892-93 and 1894-95 the rate of exchange fell severely and gold of all descriptions came out for export; these are the only two years when the net recorded exports of gold from India were over a million sterling. It was during this period that exchange came down with a rush from 18d. per rupee to nearly 13d. per rupee. Furthermore, the price of silver, which stood for 60 years at Rs. 105, fell to nearly Rs. 85 per 100 tolas. The Indian people for the first time saw "cheap" silver, and it was to them partly a novelty to exchange dear gold for silver and silver rupees. Between 1835 and 1912 there were only three years in which the exports of gold were higher than imports, as is shown in the following table:—

*Years in which Gold Exports were higher than Imports.*

Year.	Imported.	Exported.	Net Exports.	Rate of Ex- change.	Price of Gold per Tola.		Price of Silver per 100 Tolas.	
					Highest.	Lowest.	Highest.	Lowest.
1878-1879	£ 975,366	£ 1,572,815	£ 597,449	19·895	Rs. a. p. 19 14 6	Rs. a. p. 18 11 0	Rs. a. p. 105 12 0	Rs. a. p. 105 12 0
1892-1893	1,187,859	3,062,981	1,875,122	15·026	26 8 0	24 6 0	105 12 0	105 12 0
1894-1895	1,170,853	4,486,916	3,316,063	13·100	30 5 0	27 10 0	92 2 0	84 5 0

12. *Gold Imports between 1900-1 and 1911-12:*—Prominence has been given to the views expressed by Sir Edward Holden at the Manchester Statistical Society in October last and at the Annual General Meeting of the London City and Midland Bank this year. Sir Edward Holden has studied the distribution of gold in recent years and comes to certain conclusions regarding India after looking at the main outlines only of the situation. In the figures given by him at Manchester, he states that India took 100,000,000l. between 1900 and 1912; but he did not separate the gold bars imported for the arts and industries from the sovereigns which came out mainly to charge India's empty currency reservoir. In order correctly to examine the gold movements, I give a table showing the amount and description of gold imported and exported between 1900-1 and 1911-12:—

*Gold.*

Year.	IMPORTS.			EXPORTS.		
	Bullion.	Sovereigns.	Foreign Coin.	Bullion.	Sovereigns.	Foreign Coins.
1900-1	£ 2,349,999	£ 4,489,715	£ 1,092,299	£ 6,685,702	£ 663,781	£ 21,107
1901-2	1,944,710	3,517,331	76,316	2,464,500	1,761,623	20,473
1902-3	2,808,835	5,812,501	173,576	2,170,823	765,835	15,210
1903-4	4,664,997	8,656,232	110,684	2,439,982	4,357,749	13,075
1904-5	5,683,423	8,689,961	167,935	2,334,704	5,717,666	18,359
1905-6	5,695,363	3,994,485	142,800	2,407,500	7,106,139	13,683
1906-7	6,831,342	5,360,917	163,329	2,012,222	410,017	29,323
1907-8	7,159,246	6,445,833	230,015	2,200,474	11,883	44,252
1908-9	4,391,566	1,079,149	132,106	2,233,576	454,181	11,420
1909-10	7,285,323	9,240,964	161,061	2,192,229	27,927	14,185
1910-11	9,817,801	8,540,318	236,890	2,206,979	378,048	24,213
1911-12	8,965,867	18,342,266	354,271	2,253,158	113,880	122,182
Total	67,598,472	84,169,672	3,041,282	31,601,849	21,768,729	347,482
	<u>£154,809,426</u>			<u>£53,718,060</u>		
	Net Imports £101,091,366.					

13. This table shows that owing to the absence of a gold mint and gold refineries in India, 31,601,849*l.* gold bullion had to be exported to London for conversion into sovereigns. This gold was mainly from the Indian mines. India lost two months' interest and two sets of freight, insurance and other charges on this gold. The bullion imported was in the shape of 10 oz. polished bars and aggregates 67,598,472*l.* This is for India's demand for the arts and industries and gives an annual average for this period of 5,633,206*l.* The imports and exports of foreign coins are small items and need not be investigated. The country has imported 84,169,672*l.* sovereigns and has exported 21,768,729*l.* sovereigns and retained a balance 62,400,943*l.* The Comptroller-General's estimate (*Gazette of India*, December 21st, 1912) is that 40,000,000*l.* sovereigns are in circulation. The number of sovereigns in India in the Paper Currency Reserve on 31st March 1912 was 15,500,000 thus making a visible supply of 55,500,000. If the Comptroller-General's estimate is correct, then only 7,400,943 sovereigns were melted between 1st April 1900 and 31st March 1912 or an average annual trade consumption by Indian goldsmiths of 616,745*l.* This leads one to believe that there has been no hoarding of sovereigns since they were declared legal tender in India.

14. *Conclusions about Hoarding.*—A full examination of the gold statistics of India induces the conclusion that the vaunted wealth of Hindustan is a myth, and that there is no appreciable secreting or burying of gold. The Indian demand for sovereigns is largely for currency purposes, and such demand will continue until the currency reservoir is full, or until saturation point is reached. Mr. A. Montagu Brigstocke, Accountant-General, Bombay, after investigating the movement of sovereigns (Bombay and Karachi Circles, Paper Currency Report, 19th July 1913) says there is much positive evidence that sovereigns form an increasingly large portion of the actual currency in circulation, while the enormous increase in the receipts of gold at the treasuries, following on larger issues in payment of crops, affords unmistakable refutation of the picturesque but inaccurate statement that "the gold which is dug up in South Africa is buried in South Asia." During the critical years 1907 to 1909, the gold assets of the Government of India were drained to the extent, of some 20,000,000*l.*, and on the 31st March 1909 there was only 23,417*l.* gold in the Currency Reserves in India. The demand for gold for the industrial arts in India is in no sense abnormal; but as it has attracted attention in Europe and America, I examine it separately in the next two statements.

#### V.—INDIA'S CONSUMPTION OF GOLD FOR THE INDUSTRIAL ARTS.

15. By Hindu caste custom it is necessary for the bridegroom, or his father, to give gold and silver ornaments to the bride at the time of marriage. These ornaments are called "stree-dhan," which means the "woman's property," and are in the nature of a marriage settlement. The bride's father at the time of giving away the bride may also supply a dowry in the shape of ornaments. These settlements (in the shape of ornaments) are the absolute property of the woman, who conserves them with great care. Among Hindus certain months are considered more auspicious for marriages; at such time the demand for gold is heavy, and the Indian bullion dealers make provision for supplying the up-country demand by larger imports from London. In recent years there has also been political unrest in some parts of India; but it is difficult to gauge whether it has led to special investment in gold ornaments. Certainly, there has been no abnormal demand compared to the prosperity of the country, and it has to be kept in mind that early this year, according to the Chancellor of the British Exchequer, nearly 60,000,000*l.* gold was hoarded on the Continent owing to the Balkan disturbances. The bulk of the gold bullion that comes to India is for the industrial arts, and it is only necessary to estimate the number of sovereigns melted for the same purpose. The great bullion market of India is in Bombay, and the official records of the Bombay Currency Office show that between 1901-2 and 1912-13, i.e., a period of 11 years, 1,298,500 sovereigns were taken for melting, which gives an annual average at 118,045*l.* The average for the whole of India, for the last 12 years, as derived from Government figures,

is 616,745l.; therefore for the year 1911 a very liberal and very generous estimate will be 2,000,000l. The gold bullion imported in the year 1911 was 8,943,546l., and the total demand for the arts and industry of that year would, on a generous estimate, come to 10,943,546l. This amount appears large, but it is certainly not excessive for a population of 315,000,000. For the purpose of instituting comparisons between India's demand with that of the other countries, one has to study the figures of the world's industrial consumption of gold, and it is found that India stands a bad sixth on the *per capita* basis. Switzerland has an enormous trade demand for gold, possibly to make watch cases, and consumes per head four times more than England and France and ten times more than India. The *per capita* trade demand of France, England and America is a great deal larger than that of India. Even assuming that 200,000,000 people of India are born never to possess a gold ornament, the trade consumption of the balance of the population only approximates the demand of France or England.

#### VI.—CONSUMPTION OF GOLD OF PRINCIPAL COUNTRIES IN THE INDUSTRIAL ARTS IN 1911.

16. The following table, on a sterling basis, is compiled from the Washington Mint Bureau figures, and the Indian consumption is calculated by adding 2,000,000l. (the liberally-estimated amount of melted sovereigns) to the actual gross import of 8,943,546l. gold bullion for consumption in the industrial arts in 1911 :—

Name of Country.	Gold Consumed.	Population.	Per Capita.
Switzerland	1,341,989	3,741,971	.35863
France	3,596,165	39,601,509	.09080
United Kingdom	3,698,680	45,365,599	.08153
United States	6,460,218	91,972,266	.07024
Germany	3,192,372	64,903,423	.04918
India	10,943,546	315,132,537	.03472
Austria-Hungary	1,181,523	49,414,833	.02391
Belgium	143,837	7,516,730	.01913
Portugal and Spain	468,663	25,011,811	.01873
Denmark	51,370	2,775,076	.01851
Italy	616,446	34,686,683	.01777
Netherlands	104,056	5,945,155	.01750
Norway	41,096	2,391,782	.01718
Sweden	84,103	5,521,943	.01523
Finland	27,472	3,030,400	.00906
Russia	1,160,009	135,859,400	.00853

#### VII.—INDIA'S JUST SHARE OF THE ANNUAL PRODUCTION OF GOLD.

17. The population of the world is 1,597,404,000. One by one the economically developed countries have adopted the gold standard, and the only two nations of any importance left with a silver standard are China (population 433,553,630) and Persia (population 9,500,000) and their demands on the world's gold for arts, industries and hoarding are negligible. Practically, therefore, the whole of the 100,000,000l. annual gold production of the world is to be distributed amongst 1,154,350,370 inhabitants. There are no defined or measurable laws or regulations for the distribution of gold among different countries, and the only computation or adjustment that can be arrived at is on the basis of population.

18. *British Empire and Gold.*—The population of the British Empire is 418,357,157, and its share of 100,000,000l. annual gold supply (on the world's gold-money-using population basis) is 36,241,263l. The British Empire in 1911 produced 54,387,000l. gold. The production of the Empire does not remain within its boundaries and to a considerable extent supplies the demand of foreign countries.

19. *Gold Share of United Kingdom.*—On the basis of the 1911 census, the United Kingdom (population 45,365,599) is entitled to 3,929,968l. of the annual supply of gold for the world's gold monetary systems.

20. *Gold Share of India.*—India has a population of 315,132,537 and is entitled to 27,299,556*l.* of the annual supply of gold for the world's gold monetary systems. So when India draws 20,000,000*l.* to 30,000,000*l.* gold in any year when its harvests are abundant, it takes no more than its approximate share of the annual supply. Since the Fowler Currency Committee's Report, i.e., between 1898-99 and 1912-13, the net import of gold into India is 132,000,000*l.* or 9,428,571*l.* per annum.

21. There cannot be any genuine or well founded direct objection to India getting gold. Sovereigns were declared legal tender in India on 15th September 1899, and since that date the Bank of England has only increased its stock of gold by 4,000,000*l.* out of the 1,000,000,000*l.* produced in the world.

#### VIII.—How to Reduce India's Demand for Gold.

22. The demand for silver for industrial arts can be stimulated and pressure on gold proportionately relaxed if the Government of India abolish in full the duty on silver and allow a proper silver market to be built up in India from which the Far East can be fed and the internal demands of the country met on a reasonable basis. Indian bullion merchants and bankers recommend people to take gold in preference to silver because of the silver import duty. Government imposed a duty of five per cent. on the imports of silver in 1893, and raised it to 4*d.* per oz. which is approximately 15 per cent. in 1910.

23. Government should establish a silver warehouse in Bombay and issue, if required, warrants for each bar of silver imported into India. The effect of this would be that the people would learn to centralise the stock of this metal and bankers and others could advance on silver warrants. This plan would also help Government to buy silver in India when required and to make advances against silver from the currency reserves.

24. The most effective way of husbanding and centralising gold is to encourage the use of Paper Currency and to promote the extension of banking and investment facilities. The Indian mind will never be fully reconciled to the notes issued by the Government Paper Currency Department, unless the whole issue is based on metallic reserves,—such reserves to be entirely kept in India and no portion transferred to London.

25. To encourage the people to make investments in International securities it is necessary to open Stock Exchanges under Government auspices in different parts of India. This would tend not only to turn a portion of the demand for gold towards securities, but also help Government to raise large loans in the Indian markets and make it more independent of the London money market.

26. One of the great needs of the country is more branch banks in the interior. While Great Britain has 8,500 banking offices, India has only a few hundred. It is of the utmost importance that, say, 500 branches of the Presidency Banks should be opened, and they should be compelled by law, until English education becomes more general, to permit the Indian people to draw and sign cheques in the vernacular languages of their districts and to grant interest on current accounts. In the *Times of India* of 18th March 1910 I wrote over my signature as under :—

“I believe if the Government makes it worth while and insists on the Presidency Banks opening branches in every town in India having twenty thousand inhabitants, we can not only establish centres from which the currency situation can be directed, but the branch banks will form powerful schools of finance and banking for our Indian communities.”

27. The stamp duty on cheques in India should be abolished. The people of India are particularly economical, and they will not draw cheques freely if the stamp is required. The recent imposition of bourse taxes checks business in securities and acts as a super-tax on brokers; these taxes should be abolished. The new half per cent. stamp duty on industrial debentures prevents the free negotiation of a type of security which the Indian public is inclined to handle somewhat freely.

28. It would be desirable to see the cheque system introduced into the inland towns of India. Unfortunately India has 294,875,811 illiterate people, and of the 18,539,538 literate inhabitants only 1,670,387 know the English language. How can such a mass of illiterate humanity draw cheques or handle currency notes with confidence? The retiring Finance Minister, Sir Guy Fleetwood Wilson, at a farewell dinner given to him in Bombay on 27th June 1913, said:—

“What is wanted in India is light, more light, always light, and it is education alone which will give us that light.”

“It is to education that we must look to dispel many of the misapprehensions which go so far to create discontent in this country. Education dispelled the ‘money drain theory,’ and we must use it to dispel the idea that British rule has reduced India to poverty and its people to starvation. The exact opposite is the case.

“India is at the present time very prosperous and its people have probably never before been so well off. The volume of our exports and imports proves it.”

29. The gaze of the Bankers and Currency Experts in Europe and America should be directed to the educational problem of India. It is through education alone that the demand in India for gold ornaments can be minimised and the tension on the world’s gold can be correspondingly relaxed. To make the Indian people plough the sands of the vernacular languages will be of no avail, and until a fair percentage acquire a knowledge of the English language, the country cannot have either accumulative thought or confidence in the teachings of modern economics.

#### IX.—TRANSPORTATION CHARGES ON GOLD.

30. The difficulties in connection with the free in-flow and out-flow of gold arise not only from the absence of a gold mint but also from the cost of ocean freight and loss of interest during transit between India and other gold countries. The London-Bombay freight is  $\frac{1}{2}$  per cent., and the interest for 22 days on the ocean journey at 5 per cent.  $\frac{1}{4}$  per cent. The heavy freight, the long route, and the incidental charges at present make it practically impossible temporarily to move capital from India to Europe in order to take advantage of favourable rates of interest. A letter posted from London to Calais (103 miles) costs  $2\frac{1}{2}d.$ , and a letter posted from London to Bombay (7,000 miles) via Calais, Brindisi, Suez and Aden, costs only 1d. The advantage of cheap carriage conferred on a letter posted from one point of the Empire to another should be extended to the movement of gold between England, Australia, Africa and India. It is anomalous that the ocean freight on gold bullion, which only weighs  $\frac{3}{3}$  as compared with silver, should be the same as for silver bullion. In the next mail contract, the India Office should stipulate that the cost of gold freight between London and Indian ports by mail boats should be on a reasonable freight basis to Government and the public. The India Office should also arrange for an expeditious and cheap overland gold parcel post service between England and India. The movement of gold and sovereigns in bulk by the overland route between Bombay and London under present regulations is practically barred; but if this route were opened and made commercially practicable for exporters, there would be better prospects of oscillations of gold between India and Europe. India would then be less isolated, and the transit period reduced to 13 days. There are no movements of gold between India and her immediate neighbours, for the reason that Persia, Afghanistan, Turkestan, China, Korea and Hongkong have not got gold standards. The free in-flow and out-flow of silver between India and the outside world is fettered by the silver duty.

#### X.—A GOLD MINT FOR INDIA.

31. For 21 years the free coinage either of silver or of gold has been denied to the people of India. Such a state of affairs does not prevail in any economically-developed country in the world.

32. *Present Mints.*—Bombay and Calcutta possess mints which are said to be the largest in the world. Sir Guy Fleetwood Wilson in the Budget Speech (1913) stated that he knew of none better, and that the work they turned out was a credit to the Indian Government; in so saying he did not rely on his own judgment, but on the judgment of experts in Europe who had given him their opinion. The Calcutta Mint has cost 457,325*l.*, and the Bombay Mint 254,034*l.*

33. *Cost of Gold Mint.*—It is well known that the cost of making the necessary additions for the coinage of gold to the present equipment of the Bombay Mint would be inconsiderable. In the telegram sent by the Secretary of State to the Viceroy on 20th June 1900 it is stated that the cost of building of a new mint on the vacant ground in the north-east angle of the present Bombay Mint would be 12,933*l.*

34. *Cost of Minting Rupees.*—Lieut.-Colonel W. G. R. Cordue, R.E., Mint Master, Bombay, has been so good as to furnish me with figures showing the cost of minting rupees at the Bombay Mint. These show that the manufacturing charges, per million pieces struck, including the cost of direction, supervision, labour and stores, varies between 478*l.* and 917*l.*, according to whether coinage is heavy or low.

35. *Light Weight Sovereigns.*—In 1912-13, 2,329,000*l.* light weight sovereigns were remitted to London, and the cost of freight was 13,600*l.* If these sovereigns are brought back, then it will cost a similar amount for freight. If they were re-coined in India the cost would be small. In fact, the salaries and fixed establishment charges of the Bombay Mint for the year 1911-12 were only 14,685*l.*, and the freight item on light weight sovereigns does not look like a commercial proposition for India.

36. “*Export Corner*” of the Bank of England.—Lord Swaythling informed the American Monetary Commission that the Bank of England has now got what they call an “export corner”; that is, they sift out the minimum legal weight sovereigns and heap them up for the exporters. This great bullion authority further stated that if Liverpool and Manchester Banks want sovereigns they get full weight, because the freight is against sending them from the north to the Continent, and that in the north country places one sees the most beautifully bright and heavy sovereigns, which are denied to London, and the exporters cannot get them. The sovereigns that come to India are collected in London; therefore they are not full weight, and naturally soon fall light in India.

37. *Refineries.*—In connection with the new gold mint there should be complete refineries, and the charge for melting and assaying gold should not, under any circumstances, be heavier than in London. The melters who are recognised by the Bank of England charge  $\frac{1}{4}d.$  per ounce for melting, and the assay fee is 4*s.* 6*d.* for a bar of 400 ounces. The Bombay Mint should recognise American and other foreign assays in the same way as the Bank of England. Without a refinery it will not be possible to deal with Indian manufactured ornaments and the raw gold from the Indian mines.

38. *The Government to Buy and Sell Gold.*—The Indian Paper Currency Department should on day of tender issue currency notes in exchange for gold at the rate of 3*l.* 17*s.* 9*d.* per ounce standard (on the lines of the English Bank Charter Act of 1844). The Bombay Mint should receive gold for coinage at 3*l.* 17*s.* 10*d.* per ounce standard, and deliver the coins within 15 days without any charge for assaying or coining, or for waste in coinage. From the gold held in Paper Currency Department the Government should manufacture and sell as near cost price as possible gold of various fineness as is required for ornaments by the Indian people. This will prevent the melting of coins, and will lead to the domestic consumption of the gold which is mined in India. By this means alone will Government be able to check the exact amount of gold that is used in the arts and industries, and such records will be of increasing value in years to come. It will also prevent ignorant buyers up-country from getting inferior gold made up in the Indian bazaars. The Government should also sell gold for export when convenient.

39. *Conclusions on a Gold Mint.*—For these reasons it is unjust to deny India a gold mint of its own, and that it should be made to send its gold

and its light weight sovereigns to be minted and returned from London at the cost of two heavy transportation charges and the loss of two months' interest. It is unfair to allege that the establishment of a gold mint in India is to gratify ignorant vanity or cheap ostentation. All practical and unbiased economists can come to one conclusion only, that a gold mint is a vital necessity to India. As the circulation of sovereigns is increasing, the establishment of a gold mint should be no longer delayed.

#### XI.—THE MINTING OF SOVEREIGNS IN INDIA.

40. The Treasury Officers and bankers who signed the Currency Report of 1899 had no doubt in their minds that a branch of the Royal Mint could and would be established in India. If that Committee had had any misgiving on the subject, it would doubtless have recommended an independent gold mint and would also have prescribed an Indian gold coin. The publication of the papers regarding the establishment of a mint for the coinage of gold in India suggest many serious reflections to the mind of the Indian public, and they look with regret upon the obstructive attitude adopted by His Majesty's Treasury in London. The 315,000,000 people of India have not been granted a branch of the Royal Mint, while Western Australia (population 283,986), Canada (population 7,192,338), New South Wales (population 1,648,210), and Victoria (population 1,315,000) hold this right. This invidious distinction should not exist in India.

41. If on the restatement of the policy of the Government of India (*vide* the despatch of 16th May 1912), the British Treasury authorities remain unyielding, the only recourse for India is to coin a ten-rupee gold piece free of seigniorage and at the same time to demonetize the sovereign. The Commission should definitely settle this matter with the Treasury before publishing their report.

#### XII.—SEIGNIORAGE ON COINAGE OF GOLD IN INDIA.

42. There should be no seigniorage charged on the gold coinage in India. In England there is no seigniorage. If any one takes a bar of gold to the Royal Mint in London he receives its full value in sovereigns, weight for weight, without any deduction whatsoever.

43. *Coinage and Minting Profits.*—Between 1900–1 and 1912–13 the profit on the coinage of new rupees was 21,358,880*l.* During the same period the Indian mints made a net profit of 1,720,169*l.*, after providing 5 per cent. for depreciation on plant and 3 per cent. depreciation on buildings, and allowing interest at 3½ per cent. on the cost of the land, buildings, plant, and the average silver, nickel and bronze holdings.

44. The mint and rupee coinage profit in India between 1900–1 and 1912–13 was 23,079,049*l.*, which gives an annual average of 1,923,254*l.* When there is such an enormous surplus profit on the subsidiary coinage, there should, as the Government of India recommend, be no seigniorage on the coinage of gold.

45. *Arrangements for Bombay.*—The gold offered for tender at the 1912–13 Bombay Mint should be coined and delivered within 15 days free of charge as at the London Mint. The fixed mint price of gold in England is 77*s.* 10½*d.* per ounce troy. The Bank of England is always ready to buy gold at 77*s.* 9*d.* per ounce for immediate payment. The Bank of England consequently offers 1½*d.* per ounce less than the English mint, which corresponds to the interest rate of four per cent. for 14 days on the ounce value. The Americans have the finest arrangement in the world for receiving gold, and their mints and assay offices pay the counter value of the gold in cash on the third day after the deposit of the metal. The Bombay Mint should endeavour to approach the American standard for efficiency and despatch.

#### XIII.—THE THREE GOVERNMENT RESERVES.

46. There are some writers on Indian currency who urge the Government to intermingle their three reserves—the Gold Standard Reserve, the Paper Currency Reserve, and the Treasury Balances—and treat them as the absolute

property of the State. Although these funds are, for currency purposes, slightly inter-connected, I am strongly of opinion that they should be separately compartmented and separately administered. The Treasury Balances being derived from revenue, loans and deposits, must be administered according to the Budget programmes. The Paper Currency Reserve is held by Government only as custodian trustee; it cannot be risked under any circumstances whatsoever, and Government must be prepared to return it to the holders of Currency Notes intact whenever demanded. The Gold Standard Reserve is a revocable trust fund created from the profit on silver coinage for the support of sterling exchange, and can be used only for this declared purpose. If a State Bank is established, these last two funds must be kept separate and distinct from the Banking Department.

#### XIV.—GOLD STANDARD RESERVE.

47. The Indian Currency Committee of 1898 in their report state:—  
 “ We also recommend that any profit on the coinage of rupees should not be  
 “ credited to the revenue or held as a portion of the ordinary balance of the  
 “ Government of India, but should be kept in gold as a special reserve,  
 “ entirely apart from the Paper Currency Reserve and the ordinary Treasury  
 “ balances.” (C. 9390, page 18, paragraph 60.)

48. *Essence of the Reserve.*—The essence of the Gold Standard Reserve is that it should be a reserve of liquid gold and not of gold securities. It has been truly said that, as at present constituted, this fund is no more a gold reserve than are the investments of the joint stock banks of London gold reserves.

49. *Location.*—Sir Edward Holden declares that the Indian people ought to have the right to say where the gold should be held, and he fears that if gold is held in London there will be no anxiety on the part of the English bankers to keep the gold reserves of the United Kingdom at the highest figures. As long as the British Empire exists there can never be any difficulty in transferring from India such portion of this fund as is required for the Secretary of State's payments in London.

50. *Limit of Reserve.*—If the reserves of the paper currency are made entirely metallic and consist mainly of gold, then 25,000,000*l.* gold in the Gold Standard Reserve Fund will be ample.

51. *Investment Register.*—The India Office has never published the full details of its investments. It has never stated the rate or date of purchase of its securities. The minimum of information is given to the public. The operations in connection with the investments in British Treasury Bills are kept secret.

52. A full statement of the holdings of the Gold Standard Reserve should be published every month in a return to Parliament and simultaneously in the “Gazette of India.” This statement should give details of all the transactions in Stock Exchange Securities, Treasury Bills and Exchequer Bonds, if any, during the month.

53. *Silver Branch.*—The silver branch of the Gold Standard Reserve should be closed by transferring the 60,000,000 of rupees to the Paper Currency Office, and taking Consols and gold from the Paper Currency Office in exchange. The Consols so acquired should follow the destination of the present invested portion of the Gold Standard Reserve.

54. *Investments to be Liquified.*—The British Treasury Bills and Exchequer Bonds when they fall due should not be renewed; but the proceeds paid to the credit of India Office account at the Bank of England. The India Office should direct the Bank of England to sell Consols at their discretion. This would clear the Consol holding slowly without disturbing the London market. All other securities should be sold under similar discretion within a year.

#### XV.—“GOLD STANDARD” NOT “GOLD EXCHANGE STANDARD.”

55. The report which Sir Robert Chalmers drafted and which Sir Henry Fowler, Mr. Robert Campbell, Sir Everard Hambro, Sir David Barbour and

others signed on 7th July 1899 is the financial Magna Charter by which a gold standard has been settled for India and subsequently confirmed by the Indian authorities. Some currency writers have endeavoured to show that the standard of India is a "gold exchange standard." Such a standard is not understood in India nor has it been authoritatively accepted and adopted as the currency policy of India. Conservative and responsible interests in India do not understand why efforts are now being made to penalise India with a make-shift make-believe standard when a reasonable effort on the part of Government would induce a full and effective gold standard and gold currency. Since 1900 about 47,000,000*l.* worth of silver has been purchased in London and coined into rupees in India; this prodigious coining of tokens has made the early adoption of a full fledged gold standard difficult. In some quarters it is believed that the saturation of the rupee coinage caused the inflation of prices; special officers of the Government of India were deputed to make inquiries and their report is to be published next year. A close study of the circulating currency of India shows that the problem of changing from rupees to sovereigns and paper money is not at present a difficult one if Government adopts steady, active measures.

#### XVI.—PAPER CURRENCY RESERVE.

56. In a letter to the Indian press in February 1910 I strongly advocated that the Paper Currency Notes should be bullion certificates pure and simple and that the invested reserve should be liquified. In June of the same year Mr. Hartley Withers, in an introduction to a new edition of "Bagehot's Lombard Street," says :—

"as a matter of theory it is safe to say that a majority of well-informed City opinions is now in favour of making the Bank of England note a pure and simple bullion certificate."

57. *Investments not desirable.*—Neither rupee paper nor Consols are suitable holdings for the Paper Currency Reserves. In times of emergency large blocks of rupee paper could not be sold and the Consol market is 6,000 miles from the nearest Indian port. The conservative and timid Indian people will never freely utilise the Government Paper Currency unless all notes have a metallic backing. Professor Andreades in his "History of the Bank of England" says that a Government debt, and particularly a permanent debt, cannot afford a guarantee or a basis for the issue of notes. He adds—"If every Government debt could be used to create an equivalent sum of money, the conclusion would inevitably follow 'that the way to create money is for a government to borrow it,' and we should have far out-distanced all the Laws and Chamberlains in creation." Successive Finance Ministers have invested sums like 1,333,333*l.*, or less, at a time, of this Reserve and so displaced the vital metallic reserves. This constant tinkering with the Indian Paper Currency Act indicates the absence of any settled policy or broad views in managing the paper currency of a great Empire. These frequent encroachments of securities on the Currency Reserves cannot but disturb public confidence.

58. *Convertibility.*—The trade centres in India are enormous distances apart and it is the first duty of Government to provide for the better convertibility of notes at their treasuries by maintaining fuller currency chests. In 1910, according to a Government statement, there were still sixteen treasuries where encashment of notes was generally refused, and there were fifty-four treasuries which were only "ordinarily able to cash notes on presentation". The Comptroller-General in the 1910 report frankly acknowledges that traders, knowing that it will be useless to ask for large sums in silver in exchange for notes, do not make such attempts. Furthermore, the location of a substantial portion of the gold of the Paper Currency Reserve in London undermines the convertibility of the note issue in India.

59. *Inland Transfers.*—The mechanism for the discharge of obligations at inland towns is still often crude and primitive. Bankers and traders have constantly to transport enormous amounts of metallic currency from one town to another. The wear and tear of the metal and freight are considerable. Economic unity and solidarity are wanting, because the metallic

reserves of the Paper Currency Office are insufficient. If there were no invested reserves, the Paper Currency Department could spread a network of coin reservoirs, filled and emptied according to the trade and revenue movements of the different centres. Government should undertake to supply currency at any required point for a small consideration. Every year the Currency Reports should show the number and location of treasuries, the amount of cash held therein, and the Government charge for granting transfers from one town to another.

60. *Present Investments to be cleared.*—The present Consol holding in the paper currency should be transferred to the Gold Standard Reserve. The make-believe security of Rupee Paper should be cancelled, and a corresponding metallic transfer be made from the proceeds of the investments of the Gold Standard Reserve. This action will squeeze the "water" from the Paper Currency Reserve and provide the solid metallic ground-work which should be behind every note issued by the Paper Currency Department.

61. *Indian Paper Currency Gold in London.*—The Currency Chest which was opened in London in 1905 should be closed and the gold held therein transferred to India. Indian opinion is that the 6,100,000*l.* gold belonging to the Paper Currency Reserve held in London has no mission to perform there save to underpin the weak gold foundations of the English joint-stock banks. London bankers have declared that if India's gold is held in the United Kingdom, it reduces the anxiety of the banks to keep their gold reserves at safety figure. India has to pay an annual charge to England for the keeping of this gold, and in the last budget it is recorded that the India Office paid the Bank of England the sum of 1,483*l.* 13*s.* 5*d.* for this duty.

## XVII.—COUNCIL BILLS.

62. Lord Inchcape, in a letter to the London "Times" of 8th November 1912, stated that the practice of regulating the sales of Council bills by the demands of trade, and selling beyond the India Office requirements when these demands are very heavy, is one of long-standing; and that it dates back to a period beyond which the memory of the oldest Indian merchants and bankers does not extend. Government records do not show that the history of selling extra Council bills is so very ancient. The practice of selling enormous amounts of extra bills came into force after 1901 and it has played havoc with the automatic principle of the Gold Standard, which is based on the free in-flow and out-flow of sovereigns.

63. *Huge Sales of Extra Council Bills.*—Up to the year 1901 there was more or less of a struggle to sell Council bills to the required amount and the question of extra bills was not of importance. Since 1901 the India Council has revised its policy and bankers and merchants in India do not know how many Council bills will be sold. Between 1st April 1901 and 31st March 1913 over 90,000,000*l.* extra Council drafts were sold over the Budget Estimates submitted to Parliament. These supplementary bills were sold at rates which were sometimes too low. The sale of Council bills in most years could be regulated with the precision of a chronometer, but the arrangement being in manipulative hands, the interests of India have suffered considerably. This procedure has naturally caused irritation in the money market and the sale of extra bills should not be permitted.

64. *Extra Bills Lead to Over-taxation.*—In the Budget speech made in the House of Commons on 7th August 1913, the Under-Secretary of State for India said :—

"If the House would remember that the total dead weight of India, the total debt corresponding to our National Debt, the total debt against which there is no productive work, is only 12,500,000*l.*, and that the dead-weight debt of India has been reduced by no less in the last three or four years than 13,500,000*l.*—that is, more than half—there is a great symptom of the prosperity of Indian finances."

—(Official Report, House of Commons' Debates, Vol. LVI., page 1900.)

65. That was a diplomatic way of saying that owing to the unfavourable prospects of floating Indian loans in London, India was over-taxed in order to develop the railway and irrigation systems. India's credit on the London money market has receded, mainly owing to the mismanagement of her financial affairs by the Indian Council. In the "Ways and Means" paragraph of the 1911-12 Budget it was stated that the "ample cash balances will be drawn upon to the extent of about 7,015,400*l.*" In the same paragraph of the 1912-13 Budget it was stated by the Finance Minister "We think we can find 11,000,000*l.* out of balances." The excess of capital payments over capital receipts in 1912-13 and 1913-14 will be 21,110,900*l.* It is not fair to build railways on an enormous scale from taxation derived from the present generation for the benefit of future generations and at the sacrifice of the educational progress of the "voiceless and voteless" people of India. The power to sell extra Council bills gives the India Office opportunities to convert the revenue surplus derived from over-taxation into productive works instead of allowing it to be spent on the uplifting of depressed and backward Indian humanity. I am a believer, and a great believer, in the development of the Indian railway and irrigation systems, but it should not be at such a pace as to outrun the progress of the community in other directions.

66. *No Extra Bills.*—The Budget estimate should show under separate heads the amount of Council bill drawings for home charges for capital outlay and discharge of debt. The total sale of Council bills in any year should only be for the amount so definitely budgetted. If the Government of India in consultation with the India Office cannot produce an accurate budget in March, they should issue a supplementary budget statement in October, obtain the sanction of the legislative council in India, and further submit it to Parliament through the Secretary of State before taking fresh action. The cost of a few movements of gold would be far better incurred in Indian interests than vesting in the hands of the finance committee of the India Council the power autocratically to sell unlimited amounts of Council bills. I have already stated (in para. 30, Section IX.) that the cost of gold freight to India should be reduced.

67. *Suggestions for the Future.*—The India Council, in consultation with the Government of India, should from time to time, issue a set programme of the amount of bills to be allotted at each sale. There should be no intermediate sales of Council bills and, if any such remittances are desired, they should be effected on the basis of the Gold Note Act. As one sale per week may be a hardship, there might be two sales per week, but under no circumstances should there be an intermediate allotment under specie point. The Indian Presidency Bank Act should be so amended that the central institutions can, when their resources permit, grant clean overdrafts, for periods not exceeding a week, to recognised banks and merchants to the extent of, say, 100,000*l.* (*i.e.*, Rs. 15,000,000). Banks and merchants, if they missed the periodical Council allotments, could, if their credit was adequate, secure loans from the Presidency Banks. In emergencies, and at all times, they can take advantage of the Gold Note Act, and get immediate payment in India from the Currency Office against the deposit of sovereigns in London. It would be still better if the Secretary of State only sold telegraphic transfers and abolished the sale of bills. The present difference between bills and transfers is not strictly regulated on the basis of bank rates in India. An arrangement to sell telegraphic transfers only would produce a better remittance rate in favour of Government. Gold tendered to the Secretary of State under the Gold Note Act should be promptly sent to India on Government troopships, at the lowest possible charges, and located in the vaults of the Currency Office. To the exchange banks it is immaterial whether they effect their remittance to India through the Secretary of State, or by coupons, or stock exchange securities, or trade bills sent out for collection, or bullion, or sovereigns; their margin between buying and selling rates remains the same. If Government has a definite Council bill programme, the course of exchange will be more settled and the uncertainties and anxieties of the Indian money markets considerably reduced.

## XVIII.—CASH BALANCES IN LONDON.

68. In the home accounts submitted by India Office to Parliament on 2nd May 1913, the following are the particulars of the Indian Treasury Balances held in London on 31st March 1912 :—

	£	s.	d.
Cash at the Bank of England and in hand	-	1,398,722	18 6
Deposits with banks for short periods	-	6,865,000	0 0
Short loans to approved borrowers on security	-	10,126,290	7 1
 Total	 -	 18,390,013	 5 7

69. The Budget estimate of 1911–12 was for a closing balance of 8,738,218 and the excess London balance was mainly due to the sale of 9,245,216*l.* extra Council bills. The premature transference of excess funds to London raised by over-taxation in India is not justifiable. If the Indian public is over-taxed, it is only fair that the excess revenue should remain in India, with the central banks, at the disposal of trade and industry pending disbursement according to the Budget programme of the following year.

70. *Indian Office not to do General Banking Business.*—The financial duties of the India Office are to make disbursements on behalf of the Government of India and to manage the flotation of sterling loans. The India Office should not be permitted to enter into general banking business in London with the cash balances of India.

71. *Cash in London.*—In addition to the temporary possession of loan proceeds, the India Office ought not to have in hand, as a rule, more than 4,000,000*l.* of funds transferred from India by the sale of Council drafts.

72. *Monthly Statements.*—The India Office should publish every month a detailed statement of its Treasury Balances and submit it as a Return to Parliament and publish a copy in the “Gazette of India.”

## XIX.—CASH BALANCES IN INDIA.

73. The cash balances of the Government of India are at present lodged with the Presidency Banks, the Mofussil Treasuries, the Mofussil Sub-Treasuries and the Reserve Treasuries. In the Mofussil Treasuries and Sub-Treasuries no larger balance is held than is needed for ordinary requirements and the surplus is withdrawn to the three Reserve Treasuries.

74. *Government disturbs Money Markets.*—Bagehot's advice to the Chancellor of the Exchequer who keeps his money in private vaults is “to equalise the receipt of taxation and the outgoing of expenditure ; it ‘should be a principal care with him to make sure that more should not ‘be locked up at a particular moment in the Government coffers than is ‘usually locked up there.’” The dormant monies in the Indian Reserve Treasuries on 31st July 1909 were 1,477,266*l.* This idle balance was raised by Government on 31st July 1913 to 10,708,804*l.* If the Budget figures are adhered to, the Reserve Treasury balance will fall to near 3,000,000*l.* on or before 31st March 1914. The Government thus arbitrarily disturbs the level of the floating supplies of money and upsets the calculations of merchants and bankers. The number of changes in the bank rate and the range of fluctuation are large in India, because Government does not bank its surplus funds. The aggregate cash balance of the banks in India is from 10,000,000*l.* to 15,000,000*l.*, and the Indian banking system is frequently strained by the shunting of huge blocks of money by Government in and out of the market.

75. *Trade and Surplus Balances.*—The Council Bill System only directly places the balance of the Government Reserve Treasuries at the service of the export trade to the United Kingdom. It also indirectly, through London, to some extent places the balance of the Government Reserve Treasuries at the disposal of the export trade to other countries. In 1910–11 the total exports of merchandise were 7,072,581 tons, of which 1,490,037 tons were sent to the United Kingdom. The total internal trade

of India, as measured simply by the aggregate railway goods traffic, for the same year was 71,269,000 tons. The Reserve Treasury System, therefore, only intermittently feeds the demand of a forty-seventh to a tenth portion of the trade of the country, and compels the Government to ignore the demand of the general inland trade. If the surplus monies of Government were lodged with the Presidency Banks, then the whole trade of the country would be continuously served.

76. *Abolition of Reserve Treasuries Essential.*—The Presidency Banks are now in a strong position and fully entitled to keep all the surplus funds of the Government; the Reserve Treasuries should therefore be abolished. If a State Bank is to be constituted, it will take three to four years to establish; meantime the surplus Government monies should be banked free of interest with the Presidency Banks.

## XX.—PRESIDENCY BANKS OR STATE BANK.

77. In a Memorandum submitted by the India Office in October 1909 to Parliament,\* it was at the outset stated that India is not a single country with a homogeneous population, and that in truth it is a congeries of countries. India is further described as containing a number of peoples, speaking many languages, holding many creeds, observing different customs and enjoying divergent degrees of civilisation.

78. *One-control System not desirable.*—I do not at present believe in a one-control and one-reserve system for such a country, and the present arrangements of three Presidency Banks should endure until English education is more general and the banking system has extended. The Continent of Europe, with the same population as India, possesses 11 principal Central Banks.

79. *Question of Head Office.*—The question of the Head Office of a State Bank is vital to Bombay and to Calcutta from their respective points of view and there is no possibility whatever of either city subordinating its interests to the other. Time may heal these differences; if so, the amalgamation of the Presidency Banks might come from within; but it should not be under outside pressure.

80. *Time not Ripe for Amalgamation.*—The present is not the right time to amalgamate the Presidency Banks, or for launching a separate State Bank. Either of these steps would cause a disturbance to the money markets of India and interfere with the solution of the currency problem. If the Presidency Banks are merged into a State Bank, the other Indian joint-stock banks are not at present strong enough to take the place of the Presidency Banks. In 10 or 15 years there will be a great advance in Indian joint-stock banking, when the Presidency Banks might conveniently merge into a Central Bank if found necessary.

## XXI.—PURCHASES OF SILVER.

81. In making the following suggestions and remarks about the purchase of silver, I do not wish to associate myself in any way with the criticism of last year's purchases. My brothers, who attend to the silver department of my firm, are of opinion that Messrs. Samuel Montagu and Co. executed the Government orders placed in their hands with tact, ability, and secrecy. Whatever remarks I make regarding the structural defects of the London silver market, as viewed from the point of India, do not refer to any particular firm or individual.

82. *London Silver Market.*—The Marquis of Crewe declared in the House of Lords on 14th November 1912:—"Then the position as to the purchase of silver was made more difficult by the fact that there were only four firms in the City of London who acted as bullion brokers. The usual custom of the India Office had been to employ the Bank of England to arrange these purchases. The Bank had commissioned two particular firms of brokers of high standing, and intimated that if the purchases were made through the Bank of England again they would feel bound still to employ the same firms." All these firms referred to are financially

\* Cd. 4956, paragraph 2, page 1.

very powerful and hold the greatest silver monopoly known to the world ; furthermore they act not only as brokers but also as dealers and merchants. Each day they meet and jointly declare the "fixing price" of silver.

83. *Indian Silver Markets.*—Dr. Henry Deutsch in his book on "Arbitrage" (1910 edition) states :—"The most important silver market in the world is Bombay, with which the silver market in Calcutta cannot compete in the least." The European side of the Bombay silver market is composed of nine powerful Exchange Banks, who employ three firms of brokers. On the Indian side are the principal joint-stock banks, 150 associated shroffs or merchant bankers, 15 bullion dealers, 11 dealers in cut bars and country silver and about 1,000 jobbers and speculators, all of whom do business through some 100 Marwari brokers. The combined force of the different sections of the Bombay silver market is therefore considerable, the market is broad and natural, and there are no combinations or understandings amongst dealers or brokers. Besides Bombay, there are other silver markets in India, and there are several thousand money dealers all over the country who take a share in the distribution and operations in silver.

84. *Regular Purchases Desirable.*—The present frantic and unbusiness-like method of making intermittent purchases of silver should be abolished and the Indian Government should buy regularly in future to an extent to be defined in the Budget ; if any additional silver currency is required then it should have discretion to invite supplementary tenders.

85. *How to Purchase India's Silver.*—The Government of India should direct the Mint Master of Bombay to invite tenders every fortnight for stated amounts of silver, and give the tenderers the option of delivering the bullion within 45 days from the date of the acceptance of the tender. This will place at the service of the Government of India any free silver that exists in the Bombay, Calcutta, London, New York, Paris, Amsterdam, Hamburg, Hongkong and Shanghai markets. Furthermore, it will be an equitable arrangement in which the whole world can participate. The four London bullion firms have agents and correspondents in India through whom their tenders can come in, and if they elect to open offices in Bombay they are sure to receive a most hearty welcome from all sections of the money market. The advantage of regular purchases in Bombay will be that the Indian Government will not only secure silver at a reasonable price, but also make their purchases at the average rate of the year and secure delivery at the very door of the mint.

86. *Opposition of the India Office.*—For the last 13 years the India Office has disapproved the purchase of silver in India by the Government. There is no explanation why 47,000,000*l.* were purchased exclusively in London when on several occasions large blocks could have been secured in the Indian markets.

87. *Duty on Silver.*—In the first and second paragraphs of my Statement VIII. on "How to abate India's demand for gold," I have referred to the silver duty and to the silver warehousing questions. The duty on silver is unfair and is resented by the merchants connected with the China trade as well as the bullion dealers and native bankers in India. It is my opinion that this duty should be abolished entirely, as it prevents an outflow of silver from India to the neighbouring silver centres of the Far East and gives the London silver market an unfair advantage over the Indian silver market.

## XXII.—FINANCIAL ORGANISATION AND PROCEDURE OF THE INDIA OFFICE.

88. Lord Curzon of Kedleston, in the House of Lords on 14th November 1912, described the "undoubted feeling of uneasiness which prevailed both in India and in England as to the present management of Indian finance" in the following words :—

"That feeling was the almost inevitable corollary of the system of secrecy that attended the management and manipulation—he used the word in no invidious sense—of Indian finances in this country. Here the Secretary of State was the official and only guardian of the interest

of the Indian taxpayer. He could over-rule, and did over-rule, the Government of India in important matters of finance. Indeed, the India Office was not only a financial arbiter, but almost a financial autocrat, and if that was so all the greater was the necessity for treating with candour those whose interests were so completely in their hands, who were so helpless in their grasp."

89. *Future Control.*—The present arrangement should come to an end and the future financial control should be vested in a Finance Committee of six, and the Chairman of this Committee should also be a member of the India Council. Unless there are some Indians on the Committee the Indian mind will not be satisfied. The ideal composition of the Committee would be two Englishmen, two Anglo-Indians, and two Indians as under :—

- (1) An influential English financier.
- (2) Chairman of one of the leading London Clearing Banks.
- (3) An Officer of the Finance Department of the Government of India or an Anglo-Indian Merchant.
- (4) A representative of one of the Presidency Banks.
- (5) An Indian banker or financier.
- (6) An Indian merchant.

#### APPENDIX XXXIV.

#### MEMORANDUM ON THE FINANCIAL ORGANISATION AND PROCEDURE OF THE INDIA OFFICE, SUBMITTED BY MR. L. ABRAHAMS, C.B., ASSISTANT UNDER SECRETARY OF STATE FOR INDIA.

##### FINANCIAL ORGANISATION.

###### *Secretary of State in Council.*

1. The constitution of the body statutorily described as "The Secretary of State in Council of India" is set forth in the Act for the Better Government of India (21 & 22 Vict., c. 106) and amending Acts.

Members of Council are appointed by the Secretary of State. The term of office is ten years for Members appointed before, and seven years for those appointed after, the passing of the Council of India Act, 1907 (7 Edw. 7, c. 35). An extension of tenure for five years is permissible for special reasons of public advantage. Members are removable upon an address of both Houses of Parliament.

The number of members must be not less than 10 and not more than 14. The majority must be persons who have resided in India for ten years and have been in India within five years before the date of appointment ; and, except when there are nine members with this qualification, a vacancy can be filled only by the appointment of a person possessing it.

It is the duty of the Council, under the direction of the Secretary of State, to "conduct the business transacted in the United Kingdom in relation to the Government of India and the correspondence with India."

The normal procedure is to conduct business in accordance with decisions of a majority of the Council, but the Secretary of State is empowered

to overrule the Council save on certain excepted matters on which the vote of a majority of the Council is decisive. The excepted matters include :—

Any grant or appropriation of any part of the revenues of India.

The raising of loans in the United Kingdom.

The purchase and disposal of property and the making of contracts (except certain contracts which the Director-General of Stores and his Department are authorised to make).

#### *Finance Committee.*

2. The Finance Committee is one of the Committees of the Council of India appointed by the Secretary of State under Section 20 of the Government of India Act of 1858. The Committee usually consists of :—

1. A member or members (at present two) with experience of English finance. The presence of such a member or members has been continuous since 1880, the names and periods of membership being as follows :—Mr. B. W. Currie, of Messrs. Glyn, Mills, Currie, & Co., December 1880 to December 1895. Mr. F. C. Le Marchant, Director of the National Provincial Bank of England, February 1896 to February 1906. Sir J. L. Mackay (now Lord Inchcape), Director of the National Provincial Bank of England (formerly Chairman of the Bengal Chamber of Commerce and Member of the Legislative Council of the Governor-General of India), April 1897 to July 1911. Sir F. Schuster, Bart., Governor of the Union of London and Smith's Bank, April 1906 ; still a member. Mr. Laurence Currie, of Messrs. Glyn, Mills, Currie, & Co., July 1911 ; still a member.

Except Mr. Laurence Currie, each of these members has been for a time Chairman of the Finance Committee.

2. Members with experience of civil and military administration in India.

3. Sometimes, but not at present, a member or members with special experience gained in India, in an official or non-official capacity, of finance or commerce.

3. The Committee is appointed annually. The Chairman is chosen by the Secretary of State, not by the members. The Committee considers papers referred to it by the Secretary of State or (under authority delegated by the Secretary of State) by an Under Secretary or Assistant Under Secretary of State. The papers so referred are usually drafts of despatches, letters, telegrams, or minutes, or requests for the instructions of the Secretary of State in Council, initiated by the Head of one or other of the nine Departments of the India Office.) The normal procedure of the Committee is, after consideration of each document laid before it, to recommend that the document be approved, amended, or rejected ; but it can formulate a recommendation of its own for dealing with the matter to which the paper refers. It has long been held that under Sections 19 and 20 of the Government of India Act of 1858, the Committees of the Council of India can deal only with matters that have been referred to them by the Secretary of State or under his authority, and have no constitutional power to initiate the discussion of other matters ; but it is improbable that any case could be found in which the Secretary of State has refused to allow the consideration of any matter which the Finance Committee has spontaneously desired to take up.

#### *Members of the Permanent Staff of the India Office taking part in Financial Work.*

4. The following are the members of the Permanent Staff of the India Office taking part in financial work :—

Permanent Under Secretary of State.

Assistant Under Secretary of State.

Financial Secretary and his subordinates.

Public Works Secretary and his subordinates.

Accountant-General and his subordinates.

Director-General of Stores and his subordinates.

With the exception of the first-named, all enter the Office either directly after competitive examinations held by the Civil Service Commissioners or

by transfer from other Government departments. The post of Permanent Under Secretary of State has been declared to be one for which, within the spirit of Section 4 of the Superannuation Act, 1859, professional or other peculiar qualifications not ordinarily to be acquired in the Public Service are required. It may in consequence be held by a person entering the Public Service at an age exceeding the usual age and without a certificate from the Civil Service Commissioners.

*Secretary of State's Broker.*

5. The placing of India Office balances on loan and deposit and the purchase and sale of securities are done through the Secretary of State's broker, who is a member of a firm of stockbrokers and receives a commission in respect of all work for the India Office. The firm to which he belongs usually takes part in arranging the underwriting of loans issued by the India Office, when underwriting is necessary.

*Auditor of the Accounts of the Secretary of State in Council.*

6. The audit of the India Office Accounts is provided for by 21 and 22 Vict., c. 106, Section 52, printed in the Appendix to this Memorandum. The Auditor is appointed by a Warrant under the Royal Sign Manual, countersigned by the Chancellor of the Exchequer. His duties and powers are very wide. He audits the accounts of the receipt, expenditure, and disposal in Great Britain of money, stores, and property applicable for the purposes of Indian administration. Accounts, vouchers, and all other necessary documents are submitted to him, and he has power to examine in relation to accounts, receipts, disbursements, and disposal of money, stores, and property, any officer or servant of the Secretary of State in Council. His annual report is laid before Parliament with the accounts of the year to which it relates.

The Auditor and his staff, though not members of the India Office establishment, are, for the purposes of superannuation, in the same position as if they were members of that establishment (44 and 45 Vict., c. 63).

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**FINANCIAL PROCEDURE.**

7. The financial procedure of the India Office is shown in the following table giving particulars as to the work done, the department or departments that do it or take part in it, and the higher authorities that, in most cases, exercise supervision and assume or share responsibility. By "department" is meant one of the nine divisions to one or other of which all the permanent staff of the India Office except the Permanent Under Secretary of State and the Assistant Under Secretary of State belong. The "higher authorities" are the Secretary of State, Committees of Council, and Council (which three may be conveniently classed together as "deciding authorities"), the Permanent Under Secretary of State and Assistant Under Secretary of State (the two highest members of the permanent staff), and the Parliamentary Under Secretary of State, whose work in the India Office is similar to theirs.

Nature of Work.	Department concerned.	Higher Authority.
A.—Receipts and Payments of the India Office.	Accountant-General.	The work is regulated by general or special sanctions of the Secretary of State in Council. All receipts and payments are audited by the Auditor of the Accounts of the Secretary of State in Council, appointed under the Government of India Act, 1858, section 52.

Nature of Work.	Department concerned.	Higher Authority.
B.—Placing of balances on loan or deposit.	Accountant-General instructs broker when money can be lent or deposited. Broker arranges for loans and deposits, sometimes acting in consultation with, or under instructions of, Chairman of Finance Committee.	Statements of loans granted and outstanding are submitted weekly through an Under Secretary of State or Assistant Under Secretary to the Secretary of State, Finance Committee, and Council for approval. List of approved borrowers showing limit (when one is imposed) of amount that may be lent to each is submitted quarterly for approval. Proposals for altering list of borrowers or of securities that may be accepted, or for other changes, are submitted for approval as occasion arises.
C.—Preparation of annual estimates of receipts and disbursements of India Office.	Accountant-General, with cooperation in some matters of Financial Secretary.	The chief estimates are submitted through Under Secretary or Assistant Under Secretary of State to Secretary of State, Finance Committee, and Council for approval. Revisions made under pressure of time are approved by an Under Secretary or Assistant Under Secretary of State.
D.—Preparation of annual accounts of receipts and disbursements of India Office for presentation to Parliament, and of monthly accounts for transmission to Government of India.	Accountant-General	Ordinarily done without supervision, but special points occasionally submitted as in C. The Annual Accounts are examined and certified by the Auditor of the Accounts of the Secretary of State in Council.
E.—Questions relating to numbers, pay, and conditions of service generally of India Office staff.	Accountant-General except when the matter is dealt with in the first instance by Under Secretary or Assistant Under Secretary of State.	Submitted as in C.
F.—Audit of London Accounts of Indian Railway Companies.	Accountant-General	Submitted as in C.
G.—Regulations and administration of annuity and family pension funds.	Accountant-General with cooperation in some matters of Financial Secretary.	Submitted as in C.
H.—Questions relating to general civil and military expenditure in India.	Head of Administrative Department concerned (Revenue, Public, Military, &c.), and Financial Secretary.	Submitted as in C, except that other Committees as well as Finance Committee are consulted.
I.—Questions regarding pay, pensions, leave, and conditions of service of civil and military officers in India.	As in H., with cooperation in some matters of Accountant-General.	Submitted as in H.
J.—Annual programme of capital expenditure on Railways and Irrigation Works.	Financial Secretary with cooperation of Public Works Secretary.	Submitted as in H.
K.—Imposition or Remission of Taxation.	Financial Secretary and Heads of Administrative Departments concerned.	Submitted as in H.
L.—Questions relating to General Financial Administration in India, including financial powers of Government of India and Provincial Governments.	Financial Secretary	Submitted as in H.

Nature of Work.	Department concerned.	Higher Authority.
M.—Currency Policy, including Banking; Investment of Gold Standard Reserve and Paper Currency Reserve; Purchase of Silver.	Financial Secretary	Submitted as in C.
N.—Issue of loans and similar business.	Financial Secretary	Submitted as in C; but it is often necessary, in order to secure rapidity of action, to delegate authority to Finance Committee.
O.—Sale of Council Bills	Financial Secretary	Weekly Sales made under authority of certain members of Finance Committee. Action taken submitted for confirmation as in C.
P.—System of Accounts in England and India and of Audit in India.	Financial Secretary and Accountant-General.	Submitted as in C.
Q.—Legislation in United Kingdom regarding financial matters ( <i>e.g.</i> , loan bills and private bill legislation concerning railway companies); preparation of material for use in Indian Budget Debate, other Parliamentary Debates, and answers to Parliamentary questions on financial matters.	Financial Secretary	Questions of legislation submitted as in C. Other work partly done without supervision, partly submitted through Under Secretary or Assistant Under Secretary of State to Secretary of State.
R.—Financial relations with departments of British Government, mainly War Office, Foreign Office, and Admiralty.	Financial Secretary and Head of Administrative Department concerned. In dealing with War Office and Foreign Office, the more important financial work is done by the Financial Secretary.	Submitted as in C.
S.—Relations with railway companies, including revision of contracts, purchase of lines, sanction to issues of capital, and concessions for new lines.	Financial Secretary and Public Works Secretary; but mainly the former on financial questions.	Submitted as in H.
T.—Relations with other companies, involving financial considerations.	Head of Administrative Department concerned and Financial Secretary.	Submitted as in H.
U.—Financial questions connected with purchase of stores.	Director-General of Stores with co-operation of Financial Secretary.	Usually submitted as in H., but in some matters supervision is entrusted to Under Secretary or Assistant Under Secretary of State, who have authority to dispose of cases.

## APPENDIX.

21 & 22 Vict., c. 106 (*Act for the better Government of India*),  
Section 52.

It shall be lawful for Her Majesty, by Warrant under Her Royal Sign Manual, countersigned by the Chancellor of the Exchequer, to appoint from Time to Time a fit Person to be Auditor of the Accounts of the Secretary of State in Council, and to authorize such Auditor to appoint and remove from Time to Time such Assistants as may be specified in such Warrant; and every such Auditor shall hold Office during good Behaviour; and there shall

As to the  
Audit of  
Accounts in  
Great  
Britain.

be paid to such Auditor and Assistants out of the Revenues of *India* such respective Salaries as Her Majesty, by Warrant as aforesaid countersigned as aforesaid, may direct ; and such Auditor shall examine and audit the Accounts of the Receipt, Expenditure, and Disposal in *Great Britain* of all Monies, Stores, and Property applicable for the Purposes of this Act ; and the Secretary of State in Council shall by the Officers and Servants of the Establishment produce and lay before such Auditor from Time to Time all such Accounts, accompanied by proper Vouchers for the Support of the same, and shall submit to his Inspection all Books, Papers, and Writings having relation thereto ; and such Auditor shall have Power to examine all such Officers and Servants in *Great Britain* of the Establishment as he may see fit in relation to such Accounts, and the Receipt, Expenditure, or Disposal of such Monies, Stores, and Property, and for that Purpose, by Writing under his Hand, to summon before him any such Officer or Servant ; and such Auditor shall report from Time to Time to the Secretary of State in Council his Approval or Disapproval of such Accounts, with such Remarks and Observations in relation thereto as he may think fit, specially noting any Case, if such there shall be, in which it shall appear to him that any Money arising out of the Revenues of *India* has been appropriated to other Purposes than those of the Government of *India* to which alone they are declared to be applicable ; and shall specify in detail in his Reports all Sums of Money, Stores, and Property which ought to be accounted for, and are not brought into account or have not been appropriated, in conformity with the Provisions of this Act, or have been expended or disposed of without due Authority, and shall also specify any Defects, Inaccuracies, or Irregularities which may appear in such Accounts, or in the Authorities, Vouchers, or Documents having relation thereto ; and all such Reports shall be laid before both Houses of Parliament by such Auditor, together with the Accounts of the Year to which the same may relate.

#### APPENDIX XXXV

**MEMORANDUM ON THE CONSTITUTION, POWERS, AND DUTIES OF THE SECRETARY OF STATE IN COUNCIL AND HIS ESTABLISHMENT, SUBMITTED BY SIR T. W. HOLDERNESSE, K.C.S.I., UNDER SECRETARY OF STATE FOR INDIA.**

1. A Memorandum on the Financial Organisation of the India Office by Mr. L. Abrahams, Assistant Under Secretary of State, has been supplied to the Commission.

2. It may be useful to supplement on certain points the information there given as to the constitution of the Council, its statutory powers and its procedure in financial matters, and as to the organisation of the Council and its relations to the Secretary of State.

The Government of India Act of 1858 (21 and 22 Vict., cap. 106) established the Council of India, and fixed the number of members at fifteen. Some of the members were to be elected by the Court of Directors of the expiring East India Company, others appointed by the Crown. Nine at least of the Council first constituted were to have what may be described as an "Indian qualification," that is, they were to have resided or served in India for ten years at least, and were not to have last left India more than ten years next preceding the date of their appointment. The Act provided that on the occurrence of a vacancy thereafter, unless at least nine of the continuing members were thus qualified, the person appointed to the vacancy must have the Indian qualification. This restriction is still operative. The members were appointed for life or "during good behaviour," but were removable by the Crown upon an address of both Houses of Parliament. The salary of a Member of Council was fixed at 1,200*l.* a year. After ten years' service on the Council a member might elect to retire on a pension of 500*l.* a year.

3. In 1869 an amending Act (32 and 33 Vict. cap. 97) limited to ten years the term of office of members appointed after the date of the Act, but gave the Secretary of State a power to reappoint "for special reasons" for a further period of five years. The right to claim a retiring pension was withheld as regards all members appointed after the date of the Act.

4. In 1889 the Council of India Reduction Act (52 and 53 Vict., cap. 65) empowered the Secretary of State, "if and whenever he thinks fit and " provided that the total number of the Council be not thereby reduced "below 10," to record his intention to abstain from filling up any vacancy in the Council of India, "and such vacancy shall henceforward remain unfilled." The Act represented the view that a Council of 10 members would suffice.

5. In 1907 the Council of India Act (7 Edw. 7, cap 35) repealed the Act just cited, and enacted that "the Council of India shall consist of such " number of members, not less than ten and not more than fourteen, as the " Secretary of State may from time to time determine." This enabled the Secretary of State to work, if he thought fit, with a Council of ten, and at any future time to increase the number if he found ten insufficient. It was intended to bring one or more Indian gentlemen on to the Council, and as they would not necessarily have administrative experience a certain amount of elasticity in the numerical strength of the Council was thought desirable. The Act also fixed the salary of members appointed after its passing at 1,000*l.* a year, and the term of office at seven years. The power of re-appointment for a further term of five years was maintained. With regard to the "Indian qualification" the maximum length of absence from India at time of appointment was reduced to five years.

6. The Council at the present time consists of ten members. Of these two are London bankers. The "Indian qualification" is possessed by eight members, two of whom are Indians. Of the eight members five have had Indian administrative experience in important posts in the Civil Service; one is a distinguished general officer of the Indian Army; one has served in the Indian Political Department; and one is an authority on educational questions and ex-Principal of an important college in India.

7. The relations of the Council and the Secretary of State *inter se* are determined by the Act of 1858. The powers of the Secretary of State in respect of the Government of India, and his relations to that Government, are determined primarily by that Act, and in a minor degree by earlier and later statutes.

8. The constitution established by the Act of 1858 is thus described by Sir Courtenay Ilbert in "The Government of India":—

"In certain matters, including the expenditure of the revenues of India, orders of the Secretary of State are required by law to obtain the concurrence of a majority of votes at a meeting of his Council, but in all other matters the Secretary of State can overrule his Council. Whenever there has been a difference of opinion in Council any member has a right to have his opinion, and the reason for it, recorded."

"The Council is thus, in the main, a consultative body, without any power of initiation, and with a limited power of veto. Even on questions of expenditure, where they arise out of previous decisions of the Cabinet, as would usually be the case in matters relating to peace or war, or foreign relations, it would be very difficult for the Council to withhold their concurrence from the Secretary of State when he acts as representative and mouthpiece of the Cabinet."

"For the better transaction of business the Council is divided into committees."

9. All matters in the decision of which the concurrence of a majority of votes at a meeting of Council is required by law must of necessity be brought before a meeting of Council. Matters which fall under the category of "secret" may be disposed of by the Secretary of State without the knowledge of Council. As regards other matters, the Secretary of State decides whether they shall be

brought before a meeting of Council or "tabled" for seven days in the Council room. But he has power when "tabling" a case, to direct that for reasons of urgency the order shall issue in advance. As a rule the more important cases not falling into the "secret" category are referred by the Secretary of State to a Committee of Council. From the Committee they are returned to the Under Secretary with the Committee's recommendations or remarks. The Secretary of State (or the Under Secretary in less important cases) then decides with reference to the nature of each case whether it should stand over for the next meeting of the Council or be "tabled."

10. In addition to the matters mentioned in Mr. Abrahams' Memorandum and specified in the Act of 1858, as matters requiring the sanction of a majority of votes at a meeting of the Council, there are certain other matters for which this special sanction is required by other Acts. These are mentioned in the note appended to clause 10 of Sir Courtenay Ilbert's Digest ("The Government of India," page 150). They relate to the making of appointments to certain offices, the alteration of the salaries and allowances of certain high officials, the making of leave or furlough rules, and the like.

11. The Act of 1858 also governs the permanent establishment of the Secretary of State. Its provisions are stated in Ilbert's Digest as follow :—

"18.—(1.) His Majesty the King may, by Order in Council, fix the establishment of the Secretary of State in Council and the salaries to be paid to the persons on that establishment."

"(2.) Every such order must be laid as soon as may be before both Houses of Parliament."

"(3.) No addition may be made to the said establishment, nor to the salaries authorised by any such order, except by a similar Order in Council to be laid in like manner before both Houses of Parliament."

"(4.) The regulations made by His Majesty for examinations, certificates, probation, or other tests of fitness in relation to appointments to junior situations in the civil service apply to such appointments on the said establishment."

"(5.) Subject to the foregoing provisions of this section, the Secretary of State in Council may make all appointments to and promotions in the said establishment, and remove any officer or servant belonging to the establishment."

12. As already stated the primary source of the authority exercised by the Secretary of State over the Government of India is the Act of 1858. Section 3 of the Act in general terms invested "one of Her Majesty's Principal Secretaries of State," on behalf of the Crown, with the power formerly exercised by the Board of Control and the Court of Directors. Subsequent sections of the Act specifically confer on the Secretary of State in Council control over the expenditure of the revenues of India, both in India and elsewhere, and define his powers to dispose of monies, securities and other properties vested in the Crown for the purposes of the Government of India. Other specific powers of the Secretary of State in Council have to be collected from earlier or later Acts. For instance, in virtue of 3 and 4 Will. IV., c. 85, s. 25, the Secretary of State, subject to the provisions of the Act of 1858 determining his relations with his Council, may "superintend, "direct, and control all acts, operations, and concerns which in anywise "relate to or concern the Government or revenues of India, and all grants "of salaries, gratuities, and allowances, and other payments and charges "whatever out of the revenues of India" (Ilbert, Digest, Section 2 (2)).

13. The financial control of the Secretary of State in Council thus extends to all acts of the Governments in India. It is unlimited, except in so far as by general or special orders he has delegated powers of sanction to Indian authorities. Large powers have so been delegated. They are collected together in various Codes, such as the Civil Service Regulations, the India Army Regulations, the State Railway Codes; and in what is called the "Audit Resolution of the Government of India," the latest edition of which is dated 15th March 1913. Expenditure proposals that are not covered by these delegated powers have to be submitted by the Government of India to

the Secretary of State in Council for his sanction ; and questions inevitably arise from time to time as to the exact extent and limits of the delegated powers. Every important administrative project, it may be said, involves expenditure beyond the sanctioning authority of the Government of India, and has to be considered by the Secretary of State in Council in its financial as well as in its administrative bearings. The proposals of the Military, Public Works and Railway Departments in particular affect large sums of money. The budget estimates of the Government of India and the "ways and means" provision of the year also raise large questions of financial policy. Thus in one way or another a large amount of intricate and important financial work necessarily comes from the Indian Government to the Secretary of State in Council. For the proper disposal of this business the Secretary of State in Council requires in his advisers an intimate knowledge of the state of the finances of India, the detailed working and technicalities of its financial system, and the bearing of the particular proposals before him on the general position. He needs specialised knowledge of the same kind as that possessed by high financial authorities in the Government of India. But he also needs expert knowledge and advice respecting certain other branches of finance with which the Government of India have less to do than he and his Council. The management of the remittances between the Indian Treasury and the Secretary of State's Home account, the lending of the Secretary of State's balances, the investment of monies on account of the Gold Standard and Paper Currency Reserves, the raising of money in this country for the capital requirements of the Indian Government, the frequent transactions that arise out of his contractual relations with the Indian Railway Companies,—all this is a class of business which is either entirely or to a great extent the special business of the India Office and the Council.

14. The financial knowledge and advice thus required under both heads can be provided either in the Council itself or in the permanent establishment of the India Office, or in both. In the Council by members having official experience of Indian finance, and by members who are in touch with banks or other business affairs in London or India. In the permanent establishment by a sufficient staff of officers suitably trained and organised.

15. Reserving for the moment the question of the constitution of the Council, which should be considered in the light of the proposed changes recently announced by the present Secretary of State, I would supplement on one point the information given in Mr. Abrahams' Memorandum regarding the permanent staff that takes part in financial work. Up to 1911 the post of Assistant Under Secretary of State and Clerk of the Council was held by officers who had had no previous training in the financial work of the India Office. Their duties mainly consisted in assisting the Permanent Under Secretary in the internal administration of the office establishment, in relieving him of routine work, and in keeping the minutes and superintending the proceedings of the Council. On Mr. Abrahams' transfer to the post from his former post of Financial Secretary, it was arranged by my predecessor with the sanction of the Secretary of State that cases coming up from the Finance, Public Works and Stores Departments and from the Accountant-General's Department should be supervised by him before they went on through the Permanent Under Secretary to the Secretary of State. The work of the Council Clerk has since been transferred to a Deputy Clerk. This distribution of duties has sensibly relieved the Under Secretary, and has proved of very great assistance to the Secretary of State and the Council. The four departments dealing with financial questions are thereby given expert guidance and supervision. It may be noted that the arrangement as yet is personal to the present Assistant Under Secretary, as the post has not been formally converted into a financial one. Were the arrangement, however, discontinued, the provision made for the proper discharge of the financial business of the India Office by the permanent staff would be less satisfactory than at present.

16. As regards the Finance Committee, the constitution of which is described in the Memorandum above referred to, it may be remarked that it is an expedient for bringing to bear on the consideration of financial matters before

they are submitted for the decision of the Secretary of State in Council the combined expert knowledge of the members composing the Committee and of the permanent officials. The actual recommendation in each case is made by the Committee only, but the officials present (the Under Secretary, Assistant Under Secretary, Financial Secretary, and Accountant-General), take part in the discussions.

17. Turning now to the constitution of the Council I am authorised to invite attention to the statement made by the present Secretary of State for India in the House of Lords on 31st July last, regarding certain changes in the composition of the Council and in its system of transacting business which he proposes to make, if and when the necessary amending legislation is obtained. The details of the scheme have not yet been definitely worked out, as they will to some extent depend on the recommendations which the Commission may make as regards financial organisation. But, broadly speaking, the intention is that the business of the several departments of the office, which at present is considered in Committees of the Council before it reaches the Council, will for the most part in future be considered by the members singly, the members being told off or "attached" to the several departments. This in its main features is apparently the system in force in the Admiralty and in the War Office. The Committee procedure would be reserved for special occasions or particular kinds of business. It is considered that this alteration in the disposal by the Council of the work of the office will make for despatch, increase the usefulness of the members of the Council as expert advisers to the Secretary of State, and will conduce to the more thorough and adequate consideration of the really important matters that come before the collective Council.

18. It is not proposed to repeal the provision of the Act of 1858 which requires that certain kinds of business shall be brought before a meeting of Council and decided by the majority of votes of the members present. The authority of the full Council in respect of such matters will not be diminished. But it may be advisable to replace Section 20, which makes it lawful for the Secretary of State to divide the Council into Committees for the more convenient transaction of business, by a clause giving the Secretary of State a more general power to make rules and orders for the more convenient transaction of business in his Council (24 and 25 Vict., c. 67, s. 8, gives the Governor-General in Council a similar power). A power of this kind would render unnecessary the retention of Sections 24 to 26 of the Act, which prescribe in great detail the procedure for "tabling" orders.

19. Under this scheme a Council of eight members will, it is considered, suffice, though probably provision will be made in the Bill for a maximum of 10 members. The great majority of the members will necessarily be men with experience in the different branches of Indian administration, and in order to secure that this experience shall be recent, the present permissible interval between leaving India and appointment to the Council will probably be reduced, while the term of office on the Council will certainly not be longer than the present statutory limit of seven years.

20. As regards the provision which should be made for the proper representation of finance in the reconstituted Council, the Secretary of State will be glad to have the advice of the Commission. It will depend, he thinks, partly on the view that the Commission may take regarding a State Bank and the possibility of thereby relieving the India Office of the semi-banking business which it at present transacts, and partly on the nature of their recommendations as regards the organisation of the permanent staff. As at present advised, the views of the Secretary of State are somewhat as follow :—

(1.) So long as the Secretary of State in Council is responsible for the management of exchange operations between India and England and of the currency, and for loaning out in the market the balances which at certain times accumulate in excess of his immediate requirements, the presence on the Council of a member actively engaged in commerce or banking in the City of London, and thereby brought daily into touch with the money market, secures to the Council first-rate information and advice regarding subjects which lie outside the usual range of business of a Government Office. Whether, if there were no City member, the Secretary of State could always

command expert help of this kind is not clear. Even if the special work at present discharged by the India Office were transferred to a State bank, there is still something to be said for having such a member to advise regarding the amount that can be borrowed each year in London for capital expenditure, the form of loans to be issued and the terms of issue, and other similar business such as that connected with the renewal of terminable obligations in which the Secretary of State in Council is primarily interested, such as guaranteed railway debenture bonds.

(2.) It has to be recognised that such a member cannot undertake the work of supervising the whole of the financial business, much of it of a purely Indian and technical character, coming before the Council. A portion only of his time is at the disposal of the Secretary of State, and he is not expected to be familiar with the details of Indian finance. The Secretary of State's scheme for reconstituting the Council and attaching individual members to particular departments will require, whether there is a "City" member on the Council or not, one member thoroughly acquainted with the Indian financial system and also with the administrative system of that country. He would be the financial member of the Council in the sense that he would supervise all the financial business coming before the Council, and advise the Secretary of State upon it.

(3.) The Secretary of State has given much consideration to the question whether a salary of 1,200*l.* a year, and a tenure of office limited in the first instance to seven years—the terms proposed for members of Council generally—may not be found to restrict unduly his choice of a finance member. The terms practically limit the field to Indian public servants who have completed, or are on the point of completing, their Indian service, and who would have their Indian pension in addition to the salary of a member of Council. The field is a considerable one. But if ever it were considered desirable to secure a younger man or a man of special qualifications outside this field, the proposed statutory restrictions on salary and term of office would undoubtedly stand in the way of his appointment. There are obvious objections to differentiation in the terms of appointment of members of the Council, rendering as they do services of the same kind to the Secretary of State. But this objection would lose its force, if in the view of the Commission radical alterations are required in the composition of the Council, with the object of improving its financial efficiency.

(4.) The solution of the question just raised may, the Secretary of State thinks, partly depend on the recommendations that the Commission may think fit to make with regard to the financial organisation of the permanent establishment of the Secretary of State. If their recommendations should be framed with a view to increase the efficiency of the permanent establishment dealing with financial business, to improve in degree and quality the control at present exercised by the higher permanent officials, and thereby to enable the latter to render greater assistance and advice to the Secretary of State in Council, there would be less occasion to create in the Council a special post in order to secure a finance member of exceptional capacity and energy. At the same time the Secretary of State does not overlook the distinction recognised by the Act of 1858 between the functions of the permanent staff and the Council, and he is fully convinced that in the reconstituted Council there should be a competent adviser on financial matters.

## APPENDIX XXXVI.

**MEMORANDUM SUBMITTED BY MR. L. R. WINDHAM FORREST, A FORMER  
CHAIRMAN OF THE BOMBAY CHAMBER OF COMMERCE AND OF  
THE BANK OF BOMBAY.**

To BASIL P. BLACKETT, Esq., Secretary.

SIR,

In response to the invitation of your Chairman to send in a short written statement, I beg to submit the following remarks :—

*Treasury Balances.*

The amount received from profits on railways should for the present be used for the improvement of the existing main lines, a part retained in India and another part in England for the purchase of railway material. A moderate portion of the Treasury balances should be kept in India, to be lent out to the Presidency banks against securities at a fair rate of interest, say 1 per cent. to 2 per cent. below the advertised rate of the banks, for the benefit during the busy season of the inland trade, as apart from the export trade, though probably a better way can be found by the Government of India taking power to increase temporarily the holding of securities in the paper currency reserve.

At present they may hold 14 crores of securities, against their total issue of notes which now stands at about 65 crores. These might be increased for the present to a maximum of 17 crores between December and May. The banks providing the securities against advances.

In September 1911, the Finance Minister, when asked if the Government of India would lend to the money markets in India against the deposit of approved securities when the Treasury balances were high, replied in the negative. Such a declaration would not now be meekly received, and I feel sure the Indian commercial community will not rest until some alteration is made. I trust the Commission will see their way to recommend that at least 2 crores are made available to the Presidency Banks against securities during the busy season from the Treasury balances, or through the Paper Currency Department. In Canada special facilities are given to the banks to increase their note issue during the wheat export season.

But for Treasury balances not required for expenditure in India, no better method can be devised than their transference to London by sale of Council bills; for notes, silver and even gold, if required, are thus released in India to the great benefit of the export trade, and the money at the same time is placed with exceptionally strong borrowers on a great variety of securities, and often earns a rate of interest which cannot be obtained in India during the monsoon months.

Those who object to holding Treasury balances in London seem to overlook the relief given to the export trade by the sale of these Councils.

*Excessive Balances.*

These would naturally appear to warrant a reduction of taxation, but the demands of the railways, the loss of the opium revenue, justify the cautious policy of Government. Lately a very large amount has been used for railways, but I have never understood why Lord Morley, when describing at the Mansion House the enormous amounts at his command, did not put out more in that direction, when he knew he was spending far short of the twelve million recommended by Sir James Mackay's Committee. Serious representations had to be made to Lord Crewe the following year from the various chambers of commerce.

*State Bank.*

If there is to be one, it must be absolutely an Indian institution, and in no way under the influence of London financiers. But at present I see no necessity for it, with the Presidency Banks and the Financial and Currency Departments as they now exist. The hundreds of treasuries scattered all over India are, I think, better in the hands of Government than of a State

bank. One great objection is the difficulty, indeed the impossibility, of securing a proper board of directors. There are no financial magnates in India, and the leading merchants, whether Indian or European, cannot devote the necessary time and attention, even if they had the financial ability or experience. If Government wish to throw more work on the Presidency Banks and desire the capital to be increased, there would be no difficulty on that score, or if they wish to see another large bank established on the lines of the Presidency Banks, and set up at Delhi for the Punjab and the United Provinces, this could easily be brought about.

The Financial and Currency Departments should be more in touch with the trade and commerce of India than they are. Some of the appointments should be thrown open to men trained in the banking business. A superior additional post should be created, and the services of an Indian bank manager be secured for three to five years at a high salary. Such a post would induce some of the ablest to agree to retire a few years earlier than they would have done, and it would be a fitting close to a successful banking career.

If a State bank is established it should not be allowed to compete with the existing banks in exchange business.

#### *Capital Expenditure.*

This in London for railways, has been ably managed by the India Office. Complaints are made in the city of the interminable character of the Indian Sterling Loan. There is considerable scope in India for the introduction of new gilt-edged securities such as railway debentures or bonds repayable in 50 years, and in my opinion would be preferable to increasing the amount of the Rupee Loan. My suggestions on this subject are before the India Office.

#### *Council Bills.*

Sales in excess of the 17 to 18 millions yearly required, should be continued as long as exchange keeps near 1s. 4d. To oblige banks to send out sovereigns would be like a return to the middle ages. Sales of telegraphic transfer are of great benefit to the export trade. Only last February the Chairman of the Bombay Chamber of Commerce complained that the Secretary of State had suddenly reduced his sales from 100 lakhs to 80.

The outcry against these sales seems to me absurd. They release an enormous amount of rupees and notes for the use of the export trade, and have the same effect as if the Government of India lent out crores of rupees to the Exchange Banks.

I thoroughly approve of the sale of Council bills against rupees or notes held in the Paper Currency Office. The proceeds are kept in gold in London and earmarked, and form a first line of defence against a fall in the value of the rupee. This gold would be used before the gold standard reserve was touched.

#### *A Gold Mint.*

Unless the Government can arrange with the Mysore Mines to coin their gold, I see no necessity at present for one.

Gold sovereigns can be obtained from England, Egypt and Australia as cheap as, if not cheaper than, bullion from South Africa.

I see no reason why hoardings of gold in India should come to the Mint. It is very easy to sell the gold now and obtain silver and even sovereigns in exchange, and the existence of a mint would not induce holders to get rid of their hoardings if they will not do so now.

If a gold mint is decided upon, the charges, if any, should be the same as in England, and the only gold coin be the exact equivalent of the English sovereign, but owing to the poverty of the people it is not a very suitable coin for India, and I prefer a paper currency with gold in reserve, just as it is preferred in Canada.

*Gold Standard Reserve.*

Much annoyance is felt in India over the retention of 6 crores of rupees in the reserve. Very few persons really understand why they are held there, and though it may be sometimes a convenience to Government to have a store of rupees to draw against in case of a sudden heavy demand for Council Bills, the gold standard reserve is not the proper place, and much satisfaction would be felt if these 6 crores were transferred to the paper currency reserve and exchanged for 4 millions in gold.

London is really the proper place for the gold standard reserve, but these 4 millions might be left in India. If 10 millions are, for the present, kept in gold, whether in India or in London, and the balance kept in short-dated securities, or a portion lent on such securities, I do not think many complaints would be heard. I think the securities bought with the 3 millions already gained in interest from the securities held in the reserve, should be sold and the proceeds kept in gold and earmarked. The present plan for accumulating gold is too slow. With the increasing popularity of notes, the more frequent use of cheques and gold, it is possible that the coinage of rupees may decrease, and thereby the profits be reduced, and therefore the accumulation of gold seriously delayed.

It is impossible to express any views as to the limit up to which the reserve should be accumulated, as it all depends to what extent gold is held in the paper currency reserve. Both act together for the maintenance of the value of the rupee.

*Silver.*

I think purchases should be rather more regular than intermittent, but with the greatest discretion as to when and how to buy.

*Financial Organisation and Procedure of the India Office.*

It is very difficult to say much on the delicate subject. The public never know whether any particular policy emanates from the Secretary of State, the Secretary of State in Council, or the Indian Government, and criticisms may be often levelled against the wrong quarter. I think that on the India Council there should always be a representative of the Indian mercantile or banking interests, and when possible, one of each, and when possible, the retiring Finance Minister or some official of that department. I think the Indian Government should be given a much freer hand, except in matters connected with the English finance, or where the interests of English persons or companies are concerned.

I may mention as an example that, in the case of Rupee Capital Feeder Lines concessions, if the slightest change in the terms is required owing to the particular character of the line, months are lost in referring to the India Office for sanction to the change. The Finance Department in India is referred to about almost every question, as nearly every question has to do with money in one form or another, and I do not think the Department is sufficiently manned to dispose quickly of all the subjects referred to it.

The Member of Commerce and Industry, if the office is to be continued, should have power to influence the railway and financial policy wherever it touches the trade and finance of the country. The members of your Commission who have been in India know that as at present constituted the office in question has no power.

29, Great St. Helens, E.C.

I remain, &c.,

L. R. W. FORREST.

## APPENDIX XXXVII.

Letter from the GOVERNMENT OF INDIA to SECRETARY OF STATE, No. 268,  
dated 25th September 1913.

MY LORD MARQUESS,

WE have recently had under our consideration the desirability, should occasion arise during the coming busy season, of making some part of our cash balances in India more readily available for the purposes of trade. The action which we have in view involves some extension of the present established practice, and we therefore desire to obtain in advance Your Lordship's approval thereto.

2. The present position may be briefly described as follows :—Under the existing Agreements with the Presidency Banks we have engaged to maintain at the Banks of Bengal, Bombay and Madras minimum balances of Rs. 35, 20 and 18 lakhs respectively, and in default to pay interest on any deficiency at the current demand rate of the Bank. In practice, however, as Your Lordship is aware, we have been accustomed to keep at the head offices of the Presidency Banks balances considerably in excess of these minima. The enclosed statement shows the actual Government deposit at each of the head offices on the last day of each month during the busy seasons of the last five years. It will be seen that during those periods we have kept, on the average, about Rs. 80 lakhs with the Bank of Bengal, between Rs. 55 and Rs. 60 lakhs with the Bank of Bombay, and about Rs. 35 lakhs with the Bank of Madras. We have also a working arrangement with the Banks of Bengal and Bombay, under which, while we do not as a rule allow the balances at their head offices to exceed 100 lakhs and 50 lakhs respectively, the Banks are liable for interest when excesses over those sums occur and objection is taken to their withdrawal. There is no definite agreement regarding the balances to be held at the Banks' branches ; but, to encourage the opening of new branches, we have from time to time guaranteed a minimum balance thereat for a certain number of years. Lastly we may mention that at an interview which took place at Calcutta in December last between Sir Guy Fleetwood Wilson and the authorities of the Bank of Bengal, representations were made by the latter in regard to the Government deposits, and our Comptroller and Auditor General was subsequently authorised to exercise a more liberal discretion in this matter. We recognise in fact the advisability of giving temporary assistance from time to time, where special grounds exist, by a moderate increase of our deposits, and may have occasion to act on this view during the ensuing busy season.

3. As regards loans to the Presidency Banks, the present practice is governed by the orders contained in Lord George Hamilton's despatch No. 87—Financial, dated the 4th May 1899. In that despatch His Lordship, while evidently desiring to leave to the Government of India their traditional discretion in the management of the Treasury balances, stated that he was inclined to think that such loans should not as a rule be granted at a rate of interest below the prevailing Bank rate. The imposition of that condition thenceforth became the established practice, and it is mainly because we are convinced that its relaxation is unavoidable, if the offer of Government loans is to be of any real assistance to trade, that we are making the present reference to Your Lordship. Subsequent to the receipt of Lord George Hamilton's instructions, six loans have been made by us to the Presidency Banks, viz., two in 1901, one in 1902, one in 1905, and two in 1906, the amounts varying from Rs. 20 to Rs. 40 lakhs. For the last six years we have received no application for a loan from any of the three Banks, and this fact we attribute, not to a plentiful supply of funds throughout those years in the commercial centres of the country, but to the existence of the above-mentioned condition regarding interest. If loans are to be granted only at the current market rate, it is only natural, we think, that the Presidency Banks should find themselves in the position either of having to refuse such assistance, or of being obliged further to raise their own rate ; otherwise they would obtain no remuneration for the work done and for the risk taken by them.

4. We are much impressed by the present need for offering assistance to the Presidency Banks in a form which they will find it possible to accept. As Your Lordship is no doubt aware, there is a strong feeling throughout the commercial community in India that the Government have not sufficiently recognised their obligations towards trade, especially during the annually recurring periods of monetary stringency. For some years past, during the season of busy trade, which may roughly be taken as extending from the beginning of December to well on in March, the Bank rates at Calcutta and Bombay have rarely fallen so low as 5 per cent., and have frequently remained for considerable periods at as high a figure as 8 per cent. During the last busy season the Bank rate at Bombay stood at 8 per cent. for a period of over 3 months. Such rates, it may be admitted, are considerably lower than those which sometimes obtained 15 or 16 years ago, e.g., during the busy seasons of 1896-7 and 1897-8, when rates of 10 and even 12 per cent. were attained. The absence in later years of such extraordinarily high Bank rates is, of course, one of the benefits which were always anticipated from the establishment of a stable rate of exchange; but it is felt by the commercial public in India that the advantage obtained from the successful prosecution of our currency policy should have been greater, and that the Bank rates which still rule for several months whenever a favourable monsoon has occurred are considerably higher than need be the case if the Government modernised their management of their cash balances.

5. There are certain other circumstances which have recently attracted increased public attention to this question. Commercial men in India have followed very closely the discussions which have taken place in England regarding the Home transactions of the Indian Government, and there is undoubtedly a feeling that the benefit derived by the London money market from short-term loans granted from the Indian cash balances in London is one which cannot fairly be denied to the Indian market. This feeling has been accentuated by the occurrence in recent years of large revenue surpluses in India, which have placed at the temporary disposal of the Government sums considerably in excess of their immediate requirements from a Treasury point of view; and it has now taken a form in which the withdrawal of funds by Government and the seasonal recurrence of monetary stringency are being definitely associated as cause and effect. Again the circumstance that the question of the establishment of a State Bank in India is again under consideration, and is believed to be looked at with some favour by His Majesty's Government, is held by the commercial public to indicate the likelihood of a more liberal policy on these questions than has hitherto obtained. The public attitude is thus one of expectancy, and, there being at present every indication of prosperous and busy trade during the ensuing cold weather, the demand has now become insistent that some immediate action should be taken, without waiting for the Report of the Royal Commission on Indian Finance and Currency, especially in view of the period which must necessarily elapse before the Commission's recommendations can be finally dealt with.

6. We are in sympathy with the desire of the commercial community that every reasonable step should be taken to mitigate the pressure which occurs in every busy season. At the same time the complaints which are voiced in certain quarters are evidently in large measure exaggerated or based on partial misapprehension. Accordingly, before authorising or proposing any departure from existing practice, we thought it right to make such preliminary inquiries as to the situation in the different commercial centres as could be effected without encroachment on the Royal Commission's field of investigation, and in particular our Honourable Colleague, the Finance Member, when lately visiting Bombay, discussed the matter, at their invitation, with the Bombay Chamber of Commerce, as well as with other persons. Our considered conclusion is that it is desirable to take steps to counteract the special stringency which is everywhere anticipated in the coming winter, and is already foreshadowed in a jute demand of unprecedented intensity, by a temporary modification of what is at present recognised as the established policy; and that this can be done without embarrassing the Royal Commission, or forcing their hands in any way. We are of opinion, in fact, that such

evidence of a more liberal policy, so far from embarrassing or prejudicing their deliberations, will facilitate the handling of such questions when their recommendations come to be considered.

7. It is clear, however, as already indicated, that any such immediate departure from established practice must necessarily fall below the more extravagant expectations which are held in some quarters. It would be incorrect to estimate our capacity for granting loans in the coming cold weather by the present amount of our cash balances. Our budget arrangements for the current year are based on the assumption that our aggregate closing balance in Home and India will be reduced to approximately the normal minimum for that period of the year. It follows that the extent to which funds will be available for loans, or for increased deposits with the Presidency Banks, must largely depend on improvements on our budget anticipations. Such improvements, indeed, may be reasonably looked for, and, as mentioned in our telegram of the 12th instant, we at present expect an aggregate betterment in the revenue account of about Rs. 3 crores, and of about 2 crores in the non-revenue transactions. The whole of this improvement is expected in India. Accordingly, if your drawings against treasury balances do not exceed the amount provided for in the Budget, we may expect to close the financial year with a cash balance in India of nearly Rs. 24 crores as compared with Rs. 19 crores assumed in the budget. A further consideration bearing on this point is that in the closing months of the busy season our cash balances are strengthened by the incoming revenue, and attain a figure in excess of immediate requirements, which can be gradually drawn upon during the slack season. This anticipatory reserve, as we may call it, will in itself provide some margin for loans to the Banks, apart from any attained improvement on the budget expectations of the year. Accordingly, though the funds likely to be available are in fact limited, they will not, we think, be inadequate for the purpose in view. Indeed, even if our free resources were considerably larger than we expect, we should not at present contemplate the grant of loans on such a scale as to involve a larger outstanding maximum than say Rs. 4½ crores, or £3 millions at any one time.

8. A further limit may be imposed by the extent of council drawings against treasury balances to which reference has just been made. It must necessarily be our first preoccupation to secure Your Lordship's cash requirements in England and our own in India, and we readily accept it as a fundamental condition that the power to grant loans on the lines which we are about to propose should not be exercised in such a way as to involve restrictions on Your Lordship's drawings up to the full amount of the budget programme. When the remittances contemplated in the budget have been fully effected, we think that the monetary conditions and prospects in India should be definitely taken into account when the question of further drawings against our cash balances is under consideration. We propose, therefore, when this stage has been reached, to instruct our Comptroller General to regulate his monthly advices to you of funds available to meet the sale of bills with reference to such action in regard to loans as we may then be taking; and we would ask Your Lordship to communicate with us before drawing bills in excess of the sums thus intimated to you. We, on our side, should be careful to keep Your Lordship fully informed as to the loans granted from time to time. We do not contemplate, by these undertakings, that the grant of loans should necessarily be absolutely postponed until the budget drawings of the year have been completed. As long as the demand for bills is maintained on a sufficiently large scale to keep the home treasury continuously in funds, and also to leave no doubt as to Your Lordship's capacity to sell the full required amount before the end of the year, the loan transactions proposed should not, we think, be regarded as unduly prejudicing the sale of bills. We attach great importance to the concurrent adoption of alternative methods of releasing funds for the assistance of trade in the busy season. It is felt by the commercial community in India that the present system of relying solely upon the sale of bills primarily limits the supply of funds to one class of customers and one main branch of commerce. It is urged that the Exchange Banks, who are the principal purchasers of council

bills, utilise the money so obtained mainly for the financing of the external trade of the country. The internal trade of India, which is vastly greater in amount than the external trade, is chiefly financed by the Indian Banks, ranging in importance from the three Presidency Banks to upcountry firms of shroffs and mahajans few of whom have direct access to the money markets of Europe. These agencies are consequently more solicitous for the placing of Government balances at the disposal of the market than for excess drawings of council bills.

We are not, of course, prepared to maintain the theory of an absolute distinction of functions; there must, to some extent, be overlapping activities and some fusion of resources, and the experiment which we propose to make may quite possibly prove, by its practical results, that the system of supplying funds by the sale of bills has a wider utility than these arguments concede to it. But the movement in favour of a more direct application of available Government funds to the needs of the internal trade is the outcome of a very strong and natural feeling to which we think it reasonable to defer to the moderate extent indicated in the proposals which we have now to state.

9. We ask Your Lordship for permission to indicate our readiness to offer short term loans to the Presidency Banks during the ensuing busy season, at a rate of interest which would be governed by the circumstances of each case, but would ordinarily be from  $1\frac{1}{2}$  per cent. to 2 per cent. below the current bank rate, on the understanding that the assistance contemplated will be strictly limited by the amount of our own available resources, by Your Lordship's own requirements, and by the necessity for securing your budget drawings. It will also be understood, as stated in paragraph 7 above, that the total amount outstanding at any time shall not exceed £3 millions. To secure the necessary freedom of action, we should lay it down that the term of the proposed loans would be for not more than a few weeks, though they would be renewable if necessary, and we should arrange that they should all be repaid by the beginning of May. Such assistance would not be given until some high bank rate such as 7 or 8 per cent. had been reached, or was about to be reached. Finally, any announcement now made on the subject would make it clear that the proposed arrangements had been authorised by Your Lordship as a special case, with reference to the coming busy season alone, and without prejudice to the future permanent policy in such matters, which will be a subject for consideration after the Royal Commission have completed their labours.

10. In submitting this proposal, we desire to emphasise the fact that we are not proposing a change of principle. The policy of granting loans in the busy season has already been definitely accepted. But the acceptance of the policy has hitherto proved almost nugatory in practice, owing to the condition imposed on the rate of interest to be charged. Our primary request is to be allowed to concede more liberal and effective terms on this point, and we might have confined our representations to this issue alone. The question has, however, been somewhat complicated by recent pronouncements of the Government of India, as for example by the reply given to the question asked by the Honourable Sir Charles Armstrong at the meeting of the Legislative Council on the 18th September 1911, and by the information submitted to Your Lordship as recently as January last in His Excellency the Viceroy's telegram of the 22nd of that month. For these reasons, and also in view of the situation created by the pending deliberations of the Royal Commission, we have thought it desirable, while urging the necessity for some immediate action, to deal with the whole question at length.

11. We have only to add that we have not overlooked the objection strongly urged in the past that the policy of placing additional resources with the Presidency Banks may ultimately be actually injurious to the interests of trade owing to the possibility of our being suddenly obliged to curtail our deposits or call in our loans. We think that, as long as the assistance which we offer is of a purely temporary nature and is not on an extravagant scale, this objection has little practical weight, particularly in the modern conditions of stable exchange. Moreover, it seems probable that

the mere announcement of our readiness to give some assistance when required may in itself produce a substantial moral effect upon market conditions : which will supplement the effect caused by the actual additional resources which the proposed loans may place temporarily at the disposal of trade.

12. We trust that Your Lordship will be prepared to accept the foregoing proposals and shall be glad to receive your decision by telegram.

We have, &c.,

(Signed) HARDINGE of PENSURST.  
O'M. CREAGH.  
S. H. BUTLER.  
SYED ALI IMAM.  
W. H. CLARK.  
R. H. CRADDOCK.  
W. S. MEYER.  
E. D. MACLAGAN.

GOVERNMENT OF INDIA—FINANCE DEPARTMENT.

Enclosure to Despatch No. 268 of 1913.

*Balances at the Credit of the Presidency Banks at their Head Offices.*

[In thousands of Rs.]

	1908-09.			1909-10.			1910-11.			1911-12.			1912-13.			
	Bengal.	Madras.	Bombay.													
31st Dec.	-	91,60	31,44	43,30	78,34	28,08	64,21	84,87	39,76	69,89	85,41	26,83	46,25	87,95	44,72	47,61
31st Jan.	-	82,22	29,63	42,21	85,51	39,27	58,08	85,28	29,55	59,67	79,31	30,32	55,03	86,56	42,87	65,73
28th Feb.	-	77,34	32,85	37,57	84,35	21,83	58,81	92,09	32,12	51,68	63,74	33,02	48,05	80,25	38,99	84,21
31st Mar.	-	79,50	33,96	48,83	86,88	34,43	66,63	75,62	34,95	55,22	79,39	50,78	70,69	86,37	55,67	96,28

Telegram to VICEROY, dated 22nd October 1913.

Loans in busy season to Presidency Banks. Your letter No. 268, dated 25th ultimo. I agree to your proposals on the understanding that loans are intended to be against security of Rupee Paper, and subject to the following :—

1st. I assume that you mean to suggest in paragraph 8 merely that Council Bills and Transfers should be sold against transfers of gold to Currency Reserve in England, or against rupees in Gold Standard Reserve, when necessary to prevent your Treasury balances from falling too low, and not that the practice of selling them freely should be modified, which would involve a radical departure from existing policy on very important point now under consideration by Royal Commission. Your proposal thus interpreted is free from objection and accords with existing practice.

2nd. If possible, in addition to amount of Budget Estimate, Bills and Transfers to be met from Treasury Balances should include the sums required to meet extra capital expenditure incurred in England since Budget was framed, and sums required to pay for silver. See my telegrams to Railway Department, dated 1st August last, sanctioning transfer of capital expenditure from India to England to the amount of 750,000l.; to Finance Department, dated 24th ultimo, giving sanction to the regrant of lapses amounting to Rs. 25,00,000; and to Finance Department on 10th instant regarding possibility of further outlay in England. You should remember in this connection that no

reason exists why your balance on 31st March next should not be reduced below the Rs. 18,80,00,000 estimated in the Budget if loans in India repayable in May represent the difference.

3rd. I doubt whether interest on loans should be more than 1 per cent. below Bank rate, which should give a sufficient margin of profit to the banks. The lower the rate the greater the risk of Government loans leading to reductions now or in the future of rates offered to private depositors by Banks.

4th. In paragraph 9 I think that for the words "beginning of May" you should substitute "end of May." Bank rates in May are frequently as high as 7.

I presume you have no objection to the correspondence being laid before the Royal Commission. I think they ought to see it.

#### APPENDIX XXXVIII.

**LETTER from the PUNJAB CHAMBER OF COMMERCE to the SECRETARY of the COMMISSION** forwarding views and opinions expressed by the Chamber from its formation in 1905 to the present time on matters affecting Indian Finance and Currency.

Punjab Chamber of Commerce,  
Chandni Chowk, Delhi,

SIR, 10th September 1913.

I AM directed by the Committee of the Punjab Chamber of Commerce to forward herewith a synopsis of views and opinions expressed by the Punjab Chamber of Commerce from its formation in 1905 to the present time on matters affecting Indian Finance and Currency; and have the honour to request that the same may be laid before the Royal Commission now assembled to take evidence on this subject.

I have, &c.,  
J. RENTON DENNING,  
Secretary.

सम्प्रेषण  
1906.

#### GOLD RESERVE FUND.

On the 27th December 1906 the Secretary to the Punjab Chamber of Commerce addressed the Secretary to the Government of India, Finance Department, as follows:—

Sir,—I am directed by my Committee to address you with regard to the alteration that has taken place in the constitution of the Gold Reserve Fund, the original purpose of which was to maintain the exchangeable value of the rupee and to protect it from undue and violent fluctuations.

My Committee deprecate any deviation from the original basis on which this Fund was established, and they consider that the change has introduced an element of weakness which should at once be eliminated.

My Committee heartily support the letter of 7th December 1906, addressed to you by the Bengal Chamber of Commerce on this subject.

The following is the letter alluded to in the foregoing paragraph:—

"I am directed by the Committee of the Bengal Chamber of Commerce to address you with regard to the recent change which has been made in the constitution of the Gold Reserve Fund under which its designation has been altered to the Gold Standard Reserve Fund and a portion of it is to be held in silver instead of in gold. In reply to a question asked by Sir Howard Vincent in the House of Commons on the 26th of July, the Right Honourable the Secretary of State for India said that he had approved a proposal made by the Government of India for a portion of the Gold Standard Reserve to be held in silver, and that silver to the value of 2,500,000l. would, in due course, be transferred to the Reserve, a sum of 1,056,000l. having been so far transferred."

"2. I am instructed by the Committee to express their regret that the Government of India did not see fit to make any reference to representatives of either the banking or the mercantile community before a change of such radical importance, and so intimately connected with the trade of the country, was introduced. The Committee had always understood that the Gold Reserve Fund was to be maintained in gold or in British Government Securities, readily convertible into gold, as the only sound security for the maintenance of exchange. The step now taken appears to them to be in direct contravention of the principles laid down by the Government of India when the Gold Reserve Fund was first initiated, and the Committee view with grave apprehension the possible consequences which may follow on this change of policy. Further, the Committee are of opinion that the constant changing of currency methods is greatly to be deprecated."

"3. The Committee desire to express their agreement with the views of Sir Edward Law as stated in a letter of 15th August, addressed to the "Times" in the following words:—"It must be remembered that as the public was officially informed, this Fund was formed solely for the purpose of maintaining the exchange value of the silver-token rupee coin. For this purpose it must consist either of gold or of readily realisable gold securities; a silver reserve cannot be considered as a proper guarantee for the maintenance of the exchange value of a silver currency. If the very large purchases of silver which have recently been made by the Indian Government were necessary it would seem that the funds should have been found from any other source rather than from the Gold Reserve Fund, the utility of which, as regards its only legitimate purpose, is endangered by altering its constitution."

"4. The Committee, in consultation with the representatives of the Exchange Banks doing business in Calcutta, have given their most careful consideration to this matter, and in view of the fact that the principles, announced at the time the Gold Reserve Fund was established, were that the Fund would serve as a guarantee for the conversion into gold if required of the rupee-token coinage, the Committee consider that the decision now arrived at to hold silver in this Fund as a Reserve for silver is not only directly opposed to the principles which actuated the Government of India in the first instance, but also is likely to prove a positive danger to the stability of exchange."

"5. I am instructed to say, in conclusion, that the Committee of the Chamber are unanimously of opinion that the Gold Reserve Fund should be, as its name implies, a Reserve in gold or readily realisable gold securities; and I am to ask that the whole matter may receive careful consideration by the Government of India."

No. 36 A, dated Calcutta, 3rd January 1907.

From the Government of India, Finance Department, to the Punjab Chamber of Commerce.

I am directed to acknowledge the receipt of your letter, dated the 27th December 1906, communicating remarks on the alteration which has taken place in the constitution of the Gold Reserve Fund (now styled the Gold Standard Reserve) and to say that it will be submitted for the consideration of the Government of India.

1907.

No. 507 A, dated Calcutta, 26th January 1907.

From the Government of India, Finance Department, to the Punjab Chamber of Commerce.

In continuation of Mr. Howard's letter of the 3rd instant, I am to say that your letter of 27th December 1906 has been under the consideration of the Government of India. In reply I am to forward for the information

of your Committee, a copy of a communication which has this day been addressed to the Bengal Chamber of Commerce on the question of the new constitution of the Gold Standard Reserve; and to express the hope that the facts, as therein explained, will remove the apprehensions of your Committee regarding the effects of the change.

The following is the letter to which reference is made in the preceding paragraph :—

No. 561 A, dated Calcutta, 25th January 1907.

From the Government of India, Finance Department, to the Bengal Chamber of Commerce.

"I have laid before the Government of India your letter No. 2199, dated the 7th December 1906, in which the Committee of the Bengal Chamber of Commerce take exception to the arrangement by which a portion of the Gold Standard Reserve is now held in silver, and express the opinion that the reserve should be wholly in gold or readily realisable gold securities. In reply, I am to explain, for the information of the Chamber of Commerce, exactly what arrangements have been made. It will then be possible to dispel certain misconceptions which have partially obscured the facts, and to understand more clearly the objects which the Government of India had in view in establishing the silver branch of the Gold Standard Reserve."

"2. As the Chamber are aware, the demand for rupees during the last four years has been very great. Between the 1st April 1903 and the 1st April 1906, the net withdrawal of rupees from the Currency Reserve reached the enormous total of  $32\frac{1}{2}$  crores, while in the same period the Mints had coined 35 crores of rupees from newly purchased silver and made them over to the Treasury. The sudden demand created by heavy trade remittances, and the delays inseparable from importing and coining large masses of silver to meet them, led to the establishment of a silver reserve in 1904. This consisted, when it was completed, of a store of prepared ingots sufficient to coin 3 crores of rupees, and was kept as part of the Paper Currency Reserve. During the cold weather of 1905-6 it became necessary to coin up the whole of the ingots; and even then the rupee stock in the Currency Reserve fell to  $7\frac{1}{2}$  crores, with no further reserve on which Government could fall back to supplement it. The position afforded conclusive evidence that the ingot reserve was insufficient and that its presence in the Currency Reserve at a time of pressure was a danger, inasmuch as it displaced an equivalent amount of coined rupees which might be required for issue at the shortest notice. To increase the strength of the ingot reserve, which was now a proved necessity, would only increase this danger."

"3. It was decided therefore to substitute a new silver reserve, twice as large as the old ingot reserve, and to keep it outside the Paper Currency Reserve altogether. This meant an addition of 6 crores of tolas of silver to the Government's uninvested reserves, and was equivalent to tying up three millions sterling, which the Government balances could not possibly afford. It was accordingly determined, with the full approval of the Secretary of State, to build up the silver reserve from the profits on coinage, until the limit of 6 crores of rupees was reached, by arresting to that extent and until that time the investments of the coinage profits in gold securities. In other words, a silver branch was to be added to the Gold Standard Reserve, which would be available in an emergency to meet any great and sudden demand for rupees. The silver was to be held in the form of prepared blanks of discs, ready for immediate coinage; but it has since been decided to convert these into rupees. The silver branch of the Gold Standard Reserve has now mounted up to  $4\frac{3}{4}$  crores of tolas or rupees and it is expected that the 6 crores limit will be reached before the end of March of 1907. Thereafter the profits on coinage will be credited to the reserve in gold as before."

"4. The procedure for employing the silver reserve, in case of its being required to supplement the Government's ordinary stock of rupees, will be as follows. The rupees withdrawn from it will be paid for in gold, either in England or India. Part of the gold will be employed in purchasing sufficient

silver to coin and restore to the reserve the number of rupees which had been taken from it; and the balance will be invested in the gold branch of the reserve. The silver branch will thus be recouped automatically."

"5. It will be seen from the above statement of facts that the Government has no intention whatever, as was suggested in the "Times," of making its current purchases of silver from the resources of the Gold Standard Reserve. No such purchase has been made, the whole of the silver having been paid for from treasury balances or from the gold in the Currency Chest. Nor has any portion of the gold accumulations of the reserve been converted into silver. The growth of the gold portion of the reserve has been checked temporarily, but it will recommence as soon as 6 crores of rupees have been placed in the silver branch, and meanwhile the interest on the gold investments is being again invested as it accrues. There has been no permanent or prolonged interference with the building up of the reserve in its original form."

"6. The Government of India readily appreciate the anxiety of the Chamber that there should be no alteration in the constitution of the reserve fund which would in any way endanger the stability of exchange. They fully concur in that opinion, and are keenly alive to the danger of shaking public confidence in the arrangements for supporting the Gold Standard but they trust that the actual facts, as now explained, will satisfy the Chamber that there is no reason for apprehension. A silver reserve is not, and never can be, any security for the maintenance of exchange; its function is entirely different. Of the two great risks which attach to the Indian currency system—a fall in exchange and a shortage of rupees—the former has not been imminent in recent years, and a powerful gold reserve (including now about 12½ millions in gold securities) is being accumulated as a guarantee against it. But the second danger is for the time being a pressing one, and the provision of an adequate safeguard against it has become a matter of first urgency. The establishment of a strong silver reserve was thus an act of common prudence; and its amalgamation with the Gold Standard Reserve was the quickest and most economical method of building it up. All that has happened to the Gold Reserve is that its growth has been temporarily retarded, but even this is now nearly at an end."

"7. I am to add that, during the last month, a temporary loan has been taken from the silver branch of the Gold Standard Reserve in order to assist the Government in meeting the very heavy issues of Telegraphic Transfers by the Secretary of State. The Government will pay interest to the reserve for this loan, which will be treated in the same way as a loan from any outside source. The transaction in no way interferes with the growth or functions of the reserve, and is only mentioned in order that the Chamber may be placed in possession of the whole facts in connection with the reserve."

Dated the 14th February 1907.

From the Punjab Chamber of Commerce to the Government of India,  
Finance Department.

I am directed to thank you for your letter No. 507 A. of 26th January 1907, enclosing copy of letter to the Secretary, Bengal Chamber of Commerce, regarding the Gold Standard Reserve.

My Committee see that the object the Government had in view in establishing a silver Reserve Fund was to relieve the Government Treasury from having to lock up a large sum in silver uninterest earning which it was necessary to hold in readiness to meet trade demands for rupees, these demands spring up suddenly and it is of the greatest importance to trade, that there should be an independent and strong fund holding sufficient silver to meet them promptly.

This the new Silver Reserve Fund will accomplish, and it is now assured that the supplementing of the Currency will be at all times instantaneous and absolutely automatic.

I am therefore to say that my Committee hasten to express their hearty approval of the action Government has taken in establishing this Silver Reserve Fund, and I am to add that it is gratifying to this Chamber to know that it will continue to be the policy of the Government to build up the Gold Standard Reserve and maintain it for the purpose for which it was established.

### 1908.

1. The Chairman, in moving the adoption of the Committee's Report for the year 1908, said :—

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"Government is to be congratulated on having been able through all this depression in trade to maintain exchange, and I doubt not it will be maintained till the balance of trade sets in again in favour of India but to remove a danger and all doubt in the matter the duty on imported bar silver should I think be raised to a point that would check abnormal importations of the metal which when the balance of trade is very narrow, as it is at present, must weaken exchange. A break in exchange would at the present time bring disaster to the poor, it would still further advance the cost of food to them and this they cannot stand."

### 1909.

In June 1909 the Chamber addressed the Finance Minister of the Government of India as follows :—

My Committee have recently had the subject of Indian Currency and Finance under their consideration, and in the present communication I am directed to put before you for your information the views which they hold on the subject.

When the Government of India in 1893 closed the mints to the public for the coinage of silver they embarked on a Currency policy that involved the maintenance of a legal tender composed mainly of token money. Gold became the standard of value but silver remained the circulating medium, the value of the rupee to the sovereign being fixed at 15 to 1. It was realised then, as it is realised to-day, that this system of currency relied on the balance of trade remaining in favour of India, and that it urgently required a backing of gold to give it stability, accordingly a good standard reserve fund was founded. The gold for this reserve has been obtained from the profit on the coinage of silver and, up till last year there has been a steady accumulation of gold. In the last twelve months, however, the balance of trade turned against India, and for the first time Government had to draw gold from it to maintain the exchangeable value of the rupee with gold currencies.

Government succeeded in maintaining the rupee at or about the value they fixed for it, but hesitancy on their part to cope with the emergency promptly caused much concern in commercial circles, and once again it was demonstrated that a currency system to be quite sound must be absolutely automatic in its evolutions.

The fear that gold would disappear, would be carried off for hoarding purposes as fast as it was brought into circulation, my Committee believe, has kept Government from applying the automatic principle to it. The discretionary powers reserved in this respect are perhaps wise ones for the present, but with regard to silver the principle has been applied in a true spirit and this circulating medium in the form of rupees has been supplemented immediately and as trade demanded. The policy is sound and must be adhered to, but the method adopted in the supplementing is open to criticism. The abnormal demands made by trade in times of briskness have been immediately met, the money market has been saved from violent fluctuations in discounts and rates of interest, but the after effect has not been considered.

Redundancy has not been reckoned with and no provision has been made for its relief. The country has been left to work off its surplus rupees as best it could, and when this is taking place when trade is dull, there is a dislocation of the value of commodities to that of coin more or less artificial; naturally the purchasing power of the redundant coin declines. It is only when the exchangeable value of the rupee, the ratio of the rupee to the sovereign is threatened, that relief is afforded through the medium of the Gold Standard Reserve. In this lies the weakness of the course hitherto followed.

In the opinion of my Committee there is a remedy which a simple and effective method can operate.

There is in the hands of Government a great reserve of coined rupees held against note issues and in treasury balances. This reserve guarantees the paper money in circulation and the solvency of Government. It is a great reservoir of rupees. My Committee are prepared to suggest that there should be established a corresponding reservoir for gold alongside this reservoir of rupees co-operating together, the one acting on the other, that when the Secretary of State sells extra Council Bills, the amount of rupees required to discharge the bills should be taken from this reservoir of rupees and instead of buying silver with the gold received for these extra Council Bills the gold should be shipped in the shape of sovereigns to be placed in the gold reservoir to maintain the guarantee for the paper money in circulation. In times of prosperity and in times of abnormal demand for currency for trade purposes gold from Europe would push rupees into circulation and when a slackness in trade sets in the rupees would return to the reservoir and push out gold, and there could be no redundancy in the currency.

As to whether or not the absolute automatic principle can be applied in the operation, my Committee are not prepared to say, experience will speak for it, but even if Government has to stand by controlling outflow from the gold reservoir the control can be operated with discretion and in a liberal spirit to meet the necessity.

My Committee understand that in the years 1905, 1906 and 1907, as much at 62 crores of newly coined rupees were put into circulation. Had the gold that this represented (it was through the medium of extra Council Bills paid for in gold that these rupees were pushed on to the country) been shipped to India and had it been used to push out the coined rupees from the great reservoir of reserve rupees to an amount deemed safe and reasonable, the monetary system of India, my Committee believes, would not have been imperilled by the crisis of last year.

Under this system the coinage of rupees would be limited to the amount of coin actually required to make good waste and to meet the natural requirements of an expanding trade and population. The supply would be regulated automatically through the Silver Fund in the present Gold Standard Reserve. This fund would serve this purpose and also that of an "Adjuster" when it came that no more rupees could with safety be pushed out from the reservoir that held the note issue and treasury balance rupees, for it must be remembered that silver will continue to be the principal circulating medium of the country for a very long time to come, and very considerable reserves of silver coin must always be maintained in this reserve to comply with the promise to pay in rupees. There is this, however, to be said in defence of the gold. As a guarantee it is not likely to be discredited, for it can always buy at short notice as much silver as is required.

The process of building up the present gold reserve fund will under these conditions be slow, and it may be worth considering whether or not it would not be wise to impose a heavier duty than is levied now on imported silver, this duty to go to the credit of this fund in gold. There are many reasons why the duty on silver should be raised if the matter is looked at from a purely Indian point of view.

My Committee are further of opinion that there should be no limit to the accumulation of gold for the special reserve until the metal has assumed its proper function as a circulating medium in the country, and they see no reason why Government should not pursue the policy of investing the fund in interest-earning securities as is done now for the reason that the fund

would naturally take its position as the second line of defence, as there would always be time to realise. The first line of defence being the gold in the great reservoir already referred to.

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1910.

The Chairman, in moving the adoption of the Committee's Report for the year 1910, said :—

"A word about a matter that is of great importance to merchants—the maintenance of a steady exchange. Since the balance of trade set in early last year in favour of India and exchange became steady in the neighbourhood of Gold Point, little or nothing has been heard of the currency question or of the Gold Standard Reserve. It is only when a warning note is sounded by our friends at Karachi that attention is turned to it and the question is asked, What is being done to accumulate gold? We have been told directly and indirectly from time to time that in consideration for the close friendship and good understanding that exists between the City and the Secretary of State the Government of India 'must hasten slowly' with the desire to obtain gold, hence the halfway house policy of investing the funds of the Gold Standard Reserve in gilt-edged securities in London. The London money market has therefore, so far as the accumulation of gold for India is concerned, to be left in the hands of the Secretary of State and his Council. But for many months now, private enterprise has been importing sovereigns at Bombay, and we have a right to ask whether or not full advantage is being taken there to secure this gold for Government. The great gold reserve that is called for, that commerce considers necessary, should undoubtedly be in the vaults that contain the metallic reserve held against the paper currency, at least two-thirds of this reserve should consist of sovereigns, and by a very simple business method their accumulation could be effected independently altogether of the London money market. So long as the balance of trade remains in favour of India it only requires the Government to instruct their Treasury officer at Bombay to be the best buyer of sovereigns in the market till the gold is obtained. The method of accumulating gold supplemented by the gold paid into the Secretary of State for extra councils over and above the amount budgetted for would in a very short space of time accomplish the object. The cost that this method of accumulating sovereigns would involve in the shape of the premium paid to the sellers of sovereigns in Bombay, and the shipping charges on the Secretary of State's gold would very properly be defrayed by the gold standard reserve, and sovereigns would go into the paper currency reserve at par, every sovereign standing for Rs. 15. This great reserve of gold, as was pointed out by your Committee two years ago, would be the first line of defence when bad times turned the balance of trade against India, and the gold standard became exposed to the attacks of a weak exchange. It is obvious that Government may just as well hold gold as silver in this metallic reserve, for the cost is the same, but the security to trade that gold affords is inestimable. The question of the moment I submit therefore is this :— Is sufficient advantage being taken of the opportunity offered by good harvests and the balance of trade at present in favour of this country to accumulate sovereigns, or is it allowed to slip past just as the gold is slipping past which is finding its way from Bombay up-country and into hands that will lock the bulk of it up and prevent its coming out to buy rupees and maintain exchange in a crisis?"

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1911.

On a representation in October 1911, from the Karachi Chamber of Commerce, that in their opinion the time had arrived for a more effective recognition of the recommendations made by Sir Henry Fowler's Committee of 1898-9 for the introduction of a gold currency as well as a

gold standard into India, than has yet been accorded by the Secretary of State :—

- (1) By opening the Indian mints to the free coinage of gold.
- (2) By restricting the annual drawings of the Secretary of State on the Indian Treasuries to the figure entered in his annual Budget (approximately £16,000,000).
- (3) By restricting the further coinage of new rupees until the proportion of gold in the currency was found to exceed the requirements of the public.
- (4) By encouraging the use of gold coins in every possible way as recommended by Sir Henry Fowler's Committee.

And reiterating the opinion conveyed to the Government of India in December 1913, that the larger portion of the Gold Standard Reserve should for the present be retained in India, in gold.

The Punjab Chamber of Commerce replied as follows :—

- (a) The Bombay Mint should be equipped with the necessary appliances and be empowered to coin sovereigns.
- (b) A restriction should not be placed on the drawings of the Secretary of State for the reason of the facility these drawings afford.
- (c) Government should continue to accumulate gold for the purpose of reserves held against the Paper Currency and other Reserves in India, and suspend the coinage of new rupees until all the coined rupees at present in the reserves are put into circulation. Thereafter the coinage of rupees should be restricted to the amount actually required to make good waste in the coinage to meet the actual requirements of an expanding trade and population.
- (d) The present currency system is admirably suited to existing conditions and Government should refrain from taking any active part in stimulating the use of any particular metal.
- (e) A larger portion of the Gold Standard Reserve than is at present held in gold should be held in sovereigns and it will probably be found more convenient for the purpose for which the Reserve has been created to hold the greater part of this gold in London.

The Chairman in moving the adoption of the Report of the Committee for the year 1911, said :—

"A word about the currency question which has again been brought forward, and the agitation for a gold coinage for India. The public at trade centres are undoubtedly beginning to appreciate the advantages of gold for currency purposes. Sovereigns are being taken because they are found easier and safer to handle than rupees and they can be moved about for trade purposes with greater ease and security and at a less cost than silver. It has been suggested that special gold coins should be struck for India, but I think it is generally accepted that the sovereign and the half-sovereign are for obvious reasons most suitable coins. And with regard to the whole question of currency and the position generally, there is a growing feeling, I think, that if the Government will only pursue its present policy, taking advantage of the occasions when the balance of trade is in favour of India to accumulate gold and will see to the supplementing of the rupee currency as trade demands, in other words, if things are allowed to take their natural course, the course they are taking now, the currency question may be shelved."

1912.

#### CIRCULATION OF SOVEREIGNS.

The following letter, No. Res. 14-3945, was on the 4th May 1912 addressed by Mr. A. Montagu Brigstocke, I.C.S., Accountant General, Punjab, to the Chamber :—

Your attention will no doubt have been attracted ere this to the Comptroller General's Report on the operations of the Paper Currency Department

for the year 1910-11, more especially to paragraphs 23-29 thereof, in which the circulation of gold is dealt with. I am anxious in my report to the Head Commissioner on the Punjab and North-West Frontier Province for the year 1911-12 to give him as much information as may be available on this important subject, which in view of the very large figures involved is comparatively even more important in the Punjab than elsewhere. I attach for your information a copy of a general letter I am issuing to Treasury officers with a view to eliciting such information as may be available as to the sources from which gold is received in the treasuries and the nature of the transactions in which it is issued. I shall deem it a great favour if you can kindly supply me with any facts or figures which may tend to throw any light on the question so far as your own transactions with the public are concerned. There is no doubt whatever that, so far as the issue of gold for the currency office at Lahore is concerned, sovereigns are becoming increasingly popular in the Punjab, whenever large cash payments have to be made. The question is what becomes of them? No doubt some are hoarded; possibly some are melted, although my information is that in the Punjab gold bars are preferred for making ornaments; does the residue remain in circulation or do the people look on it as too precious to part with? I need not remind you that on the answer to this question must (at any rate to some extent) depend the gold policy of the Government of India; since if India is really the bottomless pit in the matter of gold absorption that it is sometimes represented to be, it is clearly useless to attempt to support the stability of the rupee by unlimited issues of sovereigns. On the other hand, if the use of gold as currency among the people is really increasing, it no doubt affords an argument in favour of a still more extended use of gold by the opening of the mints to the coinage of sovereigns. The importance of this matter to the mercantile and banking community is so great that this must be my excuse for addressing you.

I shall be very greatly obliged for an early reply to this letter. Any facts or figures you may be able to give me regarding the use of silver or of notes which may bear indirectly on the question of the use of gold will also be very welcome.

The following was the Chamber's reply :--

I have the honour to acknowledge receipt of your letter, No. Res. 14-3945 of 4th May 1912 on the question of the circulation of gold as currency in the shape of sovereigns.

My Committee have carefully considered the matter and have perused with interest your letter Res. 14-G. I-11, of same date to your Treasury Officers. The Committee are not in a position to give you any figures which could throw light on what is actually taking place in connection with the sovereigns that find their way into the Punjab, but they are able to state authoritatively that sovereigns are becoming popular and that their circulation is increasing. They are accepted as legal tender in the Bazaars, and this may be attributed to the intelligence of the people and to the fact that all over the East (in China and the Straits Settlements), where the Punjabi sepoys serve in the Army and the Police, the sovereign is popular. These men remit their earnings in gold and as there is hardly a village in the Punjab that has not sent a man to this service it is not surprising that the value of the sovereign is understood.

It is difficult to say to what extent sovereigns are being hoarded, but that they are held up by the well-to-do to a very considerable amount is undoubtedly the case, and hoarding will continue among the rural population for years to come. My Committee are of opinion that Government should not rely on the sovereigns that are being absorbed by the Districts in exchange for produce coming out at any time to support the stability of the rupee.

They are further of opinion that the present currency system is admirably suited to existing conditions, and that Government should refrain from taking any active part in stimulating the use of any particular metal, leaving the supplementing of the Currency to be regulated by trade demands.

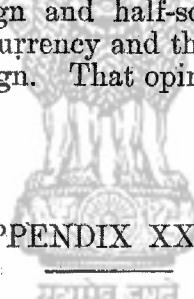
1913.

The Chairman on 4th February 1913, in moving the adoption of the Committee's Report for 1912, said :—

"The amount of gold absorbed by India in the past twelve months has alarmed the London money market. It is feared that if the absorption continues on this scale it will overpower the monetary balance which the City has hitherto been able to control through the Bank rate and a crisis will follow which will bring in a long run of dear money. What London is afraid of is the 'Lock-up,' and the alarm is natural and timely, for it is to be realised that the gold that comes to India comes to stay, there is no Bank rate that London can put up that will attract it back to the City when it is wanted there. Gold will only return under the pressure of bad trade in India, and then it will be taken from the Government reserves to maintain exchange. The people will not part with what they hold of it except under the stress of famine, and only a small percentage of what is in circulation when a crisis comes can be relied on to go back to the treasuries. That is why the warning from the bankers of London should be listened to, why the Government should for the present at least 'hasten slowly' in passing sovereigns into circulation. The control is in a great measure in their hands, it only requires that the Secretary of State shall be at all times the best seller on India and always selling at a fraction below gold point. It is of course desirable that India should have gold circulating freely in the currency and this will no doubt ultimately come, but it would be disastrous in the highest degree to the best interests of India to go on accumulating gold for this purpose reckless of what the consequences may be to the London money market."

"With regard to the question of a special gold coin for India you will see from the report before you that your Committee expressed the opinion to Government that the sovereign and half-sovereign should be allowed to remain the coins of the gold currency and there is no necessity for a smaller gold coin than the half-sovereign. That opinion I endorse."

APPENDIX XXXIX.

  
LETTER from SIR SASSOON DAVID, BART., Millowner, Bombay, to the  
SECRETARY of the COMMISSION, forwarding a Statement of his  
Views on the Questions referred to the Commission.

SIR,

Bombay, 18th July, 1913.

1. In response to your invitation conveyed to me by the Government of India in their telegram of 5th June, 1913, I have the honour to forward herewith my statement of evidence, in brief, on the points into which your Commission is now enquiring.

2. *General Cash Balances.*—I consider that out of the general balances of the Government of India a maximum balance of five to seven millions sterling should be kept with the Secretary of State, and the remainder should be located in India. Out of the London balance two millions, at least, should be kept in current account with the Bank of England, and the remainder should be given out for short periods on approved securities, preferably to the Indian Exchange Banks. I think that the present practice of maintaining four to five crores of rupees out of the balances in India with the Presidency Banks free of interest should be continued, as a return for services rendered. Out of the balances remaining in the hands of Government,  $7\frac{1}{2}$  crores of rupees (*i.e.* 5,000,000*l.*) should be kept in the treasuries, and any excess should be made available as loans to the public against approved securities in sums of 5 lakhs of rupees and over when the Presidency Bank rate touches 5 per cent. and over, to facilitate the requirements of trade. The Government should only loan out the surplus balances at times when the internal and external affairs of India are normal.

*3. Council Bills.*—I am of opinion that only the budgeted amount of Council Bills should be sold every year, and there should be no extra allotments, but if necessary, let there be bi-weekly sales instead of weekly ones, so that the ultimate balance of trade in favour of India would be automatically settled in gold. For several reasons it would be desirable that India should have all her balance of trade kept in gold in India. One of these reasons is, that India would have gold enough to send out to London whenever there is any difficulty in selling Council Bills. As regards the purchases of silver, it is in my opinion very desirable that the Government of India budget should provide every year for an approximate amount required for currency purposes to be made every month by public tender in London. For purposes of making payment for this silver the amount of the annual Council drawing should be increased and form part of the budgeted amount. The Government should declare in advance, as at present, in what proportion per week Council Bills would be sold, and this announcement should be made after taking into consideration the seasonal requirements of the time of the year. In the event of the India Office not being able to dispose of their budgeted and advertised amount of Council Bills then India would send out the gold. The main reason alleged for selling extra Council Bills being for payment of silver, therefore if the Government programme of purchases of silver be settled in advance and form part of the budgeted amount of Council Bill drawings, these sales of extra Council Bills will be avoided.

*Government Currency Measures.*—The measures taken by the Government of India and the Secretary of State for India in Council to maintain the exchange value of the rupee are in accordance with the recommendation of the Indian Currency Committee of 1898, with the exception of the question of an open mint for gold recommended by the Committee. India has not suffered by the absence of the gold mint since 1898, and I do not think that any inconvenience will be felt in India, at least for some years to come, as in my opinion there will not be a sufficiency of gold bullion to keep the mint going, and if South Africa were to open a gold mint the necessity of having one in India would be further removed. The only reason I consider that may be put forward for having an open gold mint in India, is to bring her into line with the other civilised nations of the world, and even then I am strongly of opinion that the minting should be confined to the sovereign.

*5. Gold Standard Reserve.*—There should be no limit to the amount of the gold standard reserve fund, which should be allowed to increase indefinitely. I would suggest that half of the gold standard fund should be maintained in India in sovereigns, and the other moiety kept in London. That as soon as it would appear that there is a sufficiency of gold in circulation and ample gold balances in the various Reserves and Treasuries in India, the sovereign should be declared available in exchange for rupees by Government. The London amount should not be locked up in securities, but should be loaned out on the London market for short periods, as stated in paragraph 2 under General Cash Balances.

*6. Paper Currency Reserve.*—The entire metallic reserves of the Paper Currency Department, except 10 per cent. of the total note issue should be held in India and the whole amount should be kept in rupees and sovereigns. The above 10 per cent. should be invested in India for the purpose of meeting the attendant expenses in connection with the issue of notes and not with the object of making profit. In this connection I may be permitted to draw the special attention of the Royal Commission to the advisability of the Government of India introducing the issue of gold currency note in addition to the present rupee notes, such notes to be issued on tender of sovereigns (which are to be kept intact) until the gold notes are presented for encashment. This suggestion is on the lines of the American Currency arrangement.

*7. State Bank.*—I would prefer not to offer any opinion about this until all the main particulars and the details on which a State Bank is proposed to be organised are known. If my above suggestion be followed, that a portion of the Government balances may be made available for the assistance of trade as loans, one of the chief arguments for the formation of a State Bank is met. There will then be no necessity for a Bank with a huge capital to be started,

to take the place of the Presidency Banks, from the point of view that Indian trade require such additional financial assistance. There are sure to arise several difficulties, not the least of which would be the location in India of the head office of the proposed bank.

I have &c.  
(Signed) SASSOON DAVID.

#### APPENDIX XL.

##### STATEMENT SUBMITTED BY SIR VITHALDAS D. THACKERSEY, MILLOWNER, BOMBAY, EXPLAINING HIS VIEWS ON THE QUESTIONS REFERRED TO THE COMMISSION.

1. I do not desire to say much with regard to the large accumulation of balances in recent years, except that I deprecate the exaggerated caution with which the Budgets of the Government of India are framed. I was for three years in the Imperial Legislative Council as a member elected by the non-

###### *Surplus in Sterling.*

—	Estimate.	Actual.
1909-10 -	30,400	1,500,677
1910-11 -	246,200	5,897,489
1911-12 -	896,800	4,909,418
1912-13 -	79,400	7,467,600

official members of the Bombay Legislative Council, and I am convinced by the experience I had during the period that, as a result of excessive caution, a much larger revenue is raised from the taxpayers than the needs or circumstances of the country warrant. In March 1910, when new taxation was imposed, the non-official members, both Europeans and Indians, protested against its imposition on the main ground that there was no need for it if the Budget was framed with ordinary care. The event proved that the non-official members were right, as the actuals gave a surplus of about six millions sterling instead of the expected deficit 250,000*l*. The reason generally adduced for this extraordinary caution on the part of the Finance Member is that India, being in the main an agricultural country exposed to the vicissitudes of rainfall, revenue estimates have to be made with considerable reserve. The consequence is that in a normal year there is always a surplus and often a large surplus.

2. It is true that a certain proportion of the surplus is distributed at the end of the year in the shape of special grants. It must be admitted that such doles have been in practice given for good and useful objects, but the system to my mind is demoralising. It is known, as soon as the monsoon turns out well, that a heavy surplus will accrue, and all the Departments become eager to get a share in the spoils to be distributed at the end of the official year. From the point of view of the Finance member, the system may be said to be an ideal one, as he is perfectly sure of his estimates not working out in the end on the wrong side, even if the season prove a failure, while in normal years he is a supremely happy man commanding crores to be distributed for good objects, and receives the hearty congratulations of the Council and the public on his good fortune. In the rapture of the moment, only a few realise that the crores of surplus have been needlessly taken out of the people in excess of the legitimate requirements of the country. I am strongly of opinion, therefore, that a more rational system of preparing Budgets should be introduced in place of the existing system.

3. Many ways may be suggested to improve matters. To my mind, the best way is to create a reserve fund out of the surplus profits whenever they accrue. The Budget should be framed with reasonable care only, and if, by unforeseen circumstances, a deficit arises it should be wiped off from the reserve. The institution of such a reserve will greatly lessen the bug-bear of possible deficit in the mind of the Finance member, and he will be able to frame his estimates in a more balanced state of mind. The evil of the present system is accentuated by the fact that the surplus accruing in any year is not carried forward to next year's account, but is used largely for capital expenditure, except a portion which is distributed as special grants. During the last few years several crores have been used for capital

expenditure which were collected as ordinary revenue. This, to my mind, is unsound finance.

4. With a sound system of finance there ought not to be the large balances we have had in the past, but whatever balances we may have, in the first place they ought to be employed as far as possible in helping the trade of the country. While millions have been invested in London at  $2\frac{1}{2}$  per cent., the Bank rate in India on Government paper has risen to so much as 8 per cent. If Government had been prepared to lend some portion of this balance in India, it would have been immediately taken up. In fact, an application was made to the Government of India last year for an advance of Rs. 40 lakhs on Government paper, but the application was refused. It is true that Government of India have been prepared for the last several years to make advances to the Presidency Banks at the Bank rate on the security of Government paper. No Presidency Banks have taken advantage of this for the past six years, and it is quite natural that it should be so. Why should Presidency Banks borrow from Government and lend to the public, not only without any profit to themselves, but, on the contrary, at a great disadvantage to them, as the lowering of the Bank rate or the prevention of its rise would considerably interfere with their profit on their working capital? I shall refer to this point later on in my suggestions as to how the advances can be profitably made in the interests of the public.

5. *Banking.*—I have carefully gone through the memorandum\* prepared by Mr. L. Abrahams on the question of the establishment of a central Bank. While I am inclined to think that the establishment of such a bank on the whole will to some extent ease the high banking rate ruling in India, I am afraid that the advantages of such a Bank will not be equally distributed throughout the country. If the head office of a central Bank be located in Calcutta, Bengal will certainly be placed in a more favourable position than it holds now, while Bombay and Madras will be placed at a disadvantage. In money-lending, more than in other business, personal knowledge of men is an important factor, and it is impossible to expect the board of directors in Calcutta to possess the same intimate knowledge of local conditions of Bombay or of Madras as they will have of Calcutta. Advisory boards at different places might meet the difficulty to a certain extent, but not wholly. In any case, if a Central Bank is to be established, Bombay is the proper place for it as the chief market for bullion and gilt-edged securities. On the whole I believe the present difficulties might be met by less radical methods than the establishment of a central Bank by enlarging the scope of the existing institutions, which have so far proved of admirable service. The chief reason of the monetary stringency in the busy season in India is the policy of Government of withdrawing money from circulation at a time when it is most needed. The time when Government collect revenue is the time when money is required for financing large crops. The stringency would be less if the revenue of Government were paid into the Presidency Banks instead of being locked up in the Government treasury. The United States is the only civilised country where such a policy is adopted, but even it feels the need for changing the system. The question then arises whether it would be safe to put such a large amount of Government money in the Presidency Banks. The Government, by the resolution above referred to, have agreed to advance money to the Presidency Banks on Government securities at Bank rate, and, as I have pointed out, this privilege is not utilised by the Presidency Banks. Government ought to lend to the Presidency Banks at 1 to  $1\frac{1}{2}$  per cent. under the Bank rate, as the Banks must be allowed some profit for extra risk they take. It must also be provided, in order to prevent an avoidable rise in the Bank rate, that if the Bank rate goes over six per cent., and the Presidency Banks do not take loans from Government at the concession rate, any other approved Bank or approved individual would be entitled to borrow money on Government paper from them at a rate not exceeding 6 per cent. This will prevent the Presidency Banks from refusing to utilise the concession as they have been doing up till now, relying on the stringency of the money market and public opinion to compel Government to increase their deposits in the Presidency

\* See Cd. 7071, Appendix XIV., page 339.

**Banks without interest.** By Government confining themselves to lending money on Government paper and bonds of public bodies, there is some danger of only one kind of securities coming into the hands of Government, and in case of Government requiring to withdraw their money, a large quantity of one kind of securities might have to be thrown on the market, and thus the market for their own securities might be depressed. In order to prevent this, Government should accept from the Presidency Banks short-term bills, endorsed by two or more approved individuals. The selection of such bills if Government consider any extra precaution necessary, might be left to a local committee of experienced men in each Presidency. Government will then have the security of substantial parties in addition to that of the Banks, and as the bills would be continuously falling due from time to time being short-term bills, Government can, without difficulty, withdraw their money without greatly disturbing the market. Such loans should be made from the cash balances when available, otherwise from the paper currency reserve.

6. With the facilities mentioned above, and with the power to the Presidency Banks to borrow money in London, I think the existing banking facilities will be sufficient and capable of adequate expansion.

7. I think Presidency Banks ought to be allowed to borrow in London.

8. Without expressing any opinion as to the wisdom or otherwise of the course adopted in closing the mints to the free coinage of silver, I am strongly against reversing the policy and re-opening the mint for the free coinage of silver. Things have adjusted themselves and the country is prospering under the present system.

9. I do not believe that there is any hoarding to an appreciable extent of gold in India. India is a large country, and a certain quantity of gold will always be required for jewellery owing to prevailing customs. With our enormous population, I do not think that the quantity of bullion consumed in India, both of silver and gold, for legitimate purposes is at all too large. Using gold for ornaments may in a certain sense be called hoarding as compared to putting money in banks for active circulation. But it is not hoarding in the same sense as the accumulations by rich individuals and princes, which are hoarding in the true sense of the word.

10. The latest official reports are so clear as to the increasing circulation of gold from hand to hand that it is unnecessary for me to adduce any other proof; but I can say from my personal knowledge that gold coins are readily accepted, even in the remote villages, while currency notes are not so accepted.

11. I am in favour of opening a mint in India to the free coinage of gold. No seigniorage should be charged for the coining of such gold; otherwise the very object of establishing a gold mint will be frustrated. I have advocated in the Imperial Council the coinage of 10-rupee gold pieces, as I consider that it is a very suitable and very convenient unit for the Indian people. The people of India, who are mostly illiterate, cannot easily calculate large sums except as multiples of ten. Moreover, India can, it seems, have such a coin independently of the interference of the Royal Mint. For exchange purposes there will not be much difference between a 10-rupee and 15-rupee gold coin, as all coins outside the countries of their origin have only their bullion value. The cost of minting an independent gold coin, it is admitted, would be very small. With regard to the argument that the gold coins are expensive and wasteful, the argument applies to all countries in the world. No doubt it is a distinct advantage if more paper money is used; but that is a more advanced stage in the evolution of currency, and no doubt it will come in time when once the people are accustomed to use gold as currency.

12. I am in favour of a special gold standard reserve. A portion of it should be held in actual gold in India. I am not in favour of using the profit on coinage for ordinary or capital expenditure until a *pucca* gold currency is introduced in India, i.e., a gold standard with a gold currency. I would go on increasing the gold standard reserve without fixing a maximum. I would not mind investing a part of the gold standard reserve in securities,

but only in short-dated bonds and not in any permanent securities, the realisation of which might create difficulties at the time we want to realise money on the same.

13. I do not approve of the use of one million pounds for railway developments made in 1907.

14. The recently introduced system of ear-marking gold for the gold standard reserve at the Bank of England is not as good as gold of the gold standard reserve kept in India.

15. I have no objection to the present practice of holding silver to the extent of six crores in the gold standard reserve in India ; but the more logical course, it seems to me, will be to hold the gold standard reserve wholly in gold and to hold in the paper currency all the silver which may be needed, whether for paper currency or for the reserve of silver, for the purposes for which the silver branch of the gold standard reserve was instituted.

16. I have no remarks to offer on the present method of management of the paper currency reserve. I am in favour of making future investments in sterling securities as a further line of defence of our currency system.

17. I am not in favour of locating part of the paper currency reserve in gold in London.

18. So long as the intrinsic value of the rupee is much lower than its face value I am in favour of holding gold for reserve against notes, provided of course that sufficient silver coins are maintained in the paper currency reserve to meet likely demands and subject to my observations in paragraph 15.

19. I am not enthusiastic about the creation of a central bank, as will be found from my remarks above ; but I believe that the establishment of the central bank is practically impossible without handing over the paper currency to it. From the country's point of view the present management of the paper currency is of the greatest advantage to it. Our paper currency is getting more and more popular every day. I am convinced that the circulation will be still further increased under the present policy. It is difficult to estimate the effect that the transfer of paper currency to the central Bank may have on the people, but there is the danger in a country like India, where a large part of the population is ignorant, of creating suspicion in the minds of the people that the Government are relieving themselves of the responsibility for paying money for currency notes and transferring that responsibility to the Bank, and thus the paper money may become less popular. I do not say that such effect is sure to be produced, but why take the risk when the present system has worked admirably and has succeeded in securing the complete confidence of the public ? There is one further reason, namely, that the handsome profits derived from notes which will never be returned, viz., lost, burnt, and otherwise destroyed, go to the country, in addition to the interest on investments. All this will go to the central Bank unless due provision is made for Government getting an adequate return for these concessions.

20. The rupee coinage cannot be arbitrarily restricted under the present law. Whenever gold is tendered Government is bound to give rupees, and it cannot cease coining rupees unless the demand ceases. As to the purchase of silver Government should buy in sufficient time before the actual demand arises and should not wait, as it did in recent years, until the very last moment. The result of this latter course is that unnecessary speculation is fostered among merchants, and the country suffers by having to pay a needlessly high price for silver.

## APPENDIX XLI.

SIR,

I HAVE the honour to enclose a copy of my letter of date addressed to Mr. Abrahams, and shall be much obliged if you will be good enough to lay it before the Commission.

The Secretary,  
The Royal Commission on Indian  
Finance and Currency,  
c/o India Office, London

Bank of Madras, Madras,  
9th October 1913.

I have the honour to be,  
Sir,  
Your most obedient servant,  
W. B. HUNTER,  
Secretary and Treasurer.

(Copy.)

DEAR SIR,

I WRITE to correct an unfortunate clerical error in statements submitted by you to the Royal Commission on Indian Finance and Currency, an error which was particularly emphasised in your reply to Question No. 88, in which you say: "I would draw your attention in passing to the middle column 'Bank of Madras, 1911, March' (Appendix I, paragraph 15-2). " If you will notice the figure there, the percentage of Government deposits "to cash is 121 per cent.—I think that at that particular time it would not "have been a good thing to lend more money to the Bank of Madras."

On turning to Statement D, Appendix II., on page 79 of Vol. I. of the appendices to the Interim Report, it will be seen that under date March 1911, Government deposits are shown as Rs. 75,43,474, cash Rs. 62,42,990, percentage 121. On that date the cash balance of the Bank was Rs. 1,62,42,990, the percentage of Government account to cash being therefore 46·4 and not 121.

While agreeing with you that "it is a question of the most enormous difficulty to say at what stage it becomes unsafe for a very big customer or depositor with a bank to increase his deposit with that bank," from the banker's point of view the main consideration in regard to his cash balance is—how much can the big depositor withdraw on demand or at short notice?

On the date in question the Bank's cash was Rs. 1,62,42,990, and Government deposits amounted to Rs. 75,43,474, but a large amount of this could—under agreement with the Government—not be withdrawn on demand or at short notice, and Government must keep working balances to meet outstanding credits and ordinary daily drawings.

The amount that could not be drawn under agreement on 25th March 1911 was :—

Rs. 34,00,000

Minimum working balances\* below which Government account could not be reduced without immediate replenishment :—

Head Office	-	-	-	Rs. 7,00,000
Calicut	-	-	-	1,00,000
Cocanada	-	-	-	1,50,000
Cochin	-	-	-	25,000
Coimbatore	-	-	-	1,00,000
Guntur	-	-	-	1,00,000
Mangalore	-	-	-	75,000
Masulipatam	-	-	-	50,000
Negapatam	-	-	-	50,000
Ootacamund	-	-	-	75,000
Tuticorin	-	-	-	1,00,000
				15,25,000
				49,25,000

\* NOTE.—With these minima there would be considerable risk of the accounts being overdrawn.

Therefore the largest amount by which Government account could possibly have been reduced on 25th March 1911 was Rs. 26 lacs, or 16 per cent of the cash balance.

The general position of the Bank on the date in question was as follows :—

Percentage of cash to total liabilities payable on demand	-	48·57
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Percentage of cash to total liabilities payable on demand and within one month	-	-	-	47·35
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I may mention that in "cash" balances with other Banks, amounting to Rs. 16,65,000, are not included.

I submit, therefore, that the cash position was quite strong enough to justify an increase of Government deposits. With regard to the larger issue, viz., whether the capital and reserve of the Bank is sufficient to justify larger total deposits by Government, the following comparative statement may be of interest :—

*Bank of England* (from Return of 13th March 1913) :—

Capital and rest, £18·2 millions.

Reserve in Banking Department, £27·9 millions.

Public deposits, £26·7 millions.

Percentage of public deposits to capital and rest, 146·7.

Do.	do.	to reserve in Banking Department, 95·7.
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*Bank of Madras* :—

Capital and reserve, Rs. 148,00,000.

Total cash (as at 21st December 1912), Rs. 216,45,000.

Highest Government balance during year 1912-13 (on 21st December 1912), Rs. 93,24,000.

Percentage of Government balance to capital and reserve, 63.

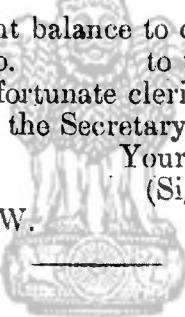
Do.	do.	to total cash, 44·3.
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As the correction of the unfortunate clerical error is very important I am sending a copy of this letter to the Secretary of the Commission.

Yours faithfully,

Lionel Abrahams, Esq., C.B.  
India Office, Whitehall, S.W.

(Signed) W. B. HUNTER,  
Secretary and Treasurer.

 Bank of Madras, Madras,

9th October 1913.

SIR,

WITH reference to Mr. M. R. Sundara Iyer's answers to questions 8898, 8968 and 8972, in which he states that the present banks do not finance Indian trade or Indian exigencies to the extent that they ought, and that if the Bank Rate were reduced it would not filter down to the cultivator, I shall be obliged if you will submit the following figures (which have been taken from the Bank's balance-sheet of 30th June 1913) to the Commission :—

Total trade advances	-	-	-	-	-	Rs. 732 lacs.
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Trade advances to Europeans	-	-	-	-	-	Rs. 144 lacs.
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" "	Indians	-	-	-	-	588 "
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Rs. 732

i.e., 20 per cent. to Europeans, and 80 per cent. to Indians.

Of the advances to Indians a small amount is direct to cultivators, but large sums are advanced to Native Bankers, and through them filter down to the cultivator. No doubt the Native Bankers keep their rates high, but when the Bank Rate is high they restrict their borrowings and also their advances to the cultivator.

Yours faithfully,

W. B. HUNTER,

Secretary and Treasurer.

The Secretary,

The Royal Commission on Indian

Finance and Currency,

c/o Indian Office, London.

## APPENDIX XLII.

STATEMENT of GOVERNMENT BALANCES held by the PRESIDENCY BANKS, handed in by Mr. BHUPENDRA NATH MITRA, C.I.E. with reference to,  
Q. 4501 [Cd. 7069.]

*In thousands of Rupees.*

Last day of	1910-11.			1911-12.			1912-13.		
	Head Offices.	Branches.	Total.	Head Offices.	Branches.	Total.	Head Offices.	Branches.	Total.
April -	1,73,07	1,87,90	3,60,97	1,84,81	2,27,50	4,12,31	1,80,30	2,20,05	4,00,35
May -	1,88,09	2,11,55	3,99,64	1,58,44	2,50,36	4,08,80	1,77,14	2,33,26	4,10,40
June -	1,46,10	2,07,82	3,53,92	1,69,76	2,31,85	4,01,61	2,12,82	2,20,28	4,33,10
July -	1,80,14	2,10,94	3,91,08	1,63,42	2,45,69	4,09,11	3,17,51	2,28,17	5,45,68
August -	1,50,12	2,09,03	3,59,15	1,65,12	2,52,76	4,17,88	2,03,38	2,24,06	4,27,44
September -	2,03,43	2,06,65	4,10,08	1,62,22	2,55,69	4,17,91	2,00,48	2,21,86	4,22,34
October -	1,93,11	2,16,79	4,09,90	1,86,47	2,46,76	4,33,23	1,94,53	2,16,06	4,10,59
November -	1,77,00	2,10,57	3,87,57	1,74,27	2,74,41	4,48,68	1,88,28	2,34,67	4,22,95
December -	1,94,52	2,01,12	3,95,64	1,58,49	2,81,54	4,40,03	1,80,28	2,45,43	4,25,71
January -	1,74,50	1,85,09	3,59,59	1,64,66	2,15,29	3,79,95	1,95,16	2,71,61	4,66,77
February -	1,75,89	2,10,85	3,86,74	1,44,81	2,23,93	3,68,74	2,03,45	2,89,86	4,93,31
March -	1,65,79	2,44,19	4,09,98	2,00,86	2,28,09	4,28,95	2,38,32	3,26,78	5,65,10



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## APPENDIX XLIII.

## STATEMENT of CASH RECEIPTS and DISBURSEMENTS over SHORT Periods at the HEAD OFFICES and BRANCHES of the three PRESIDENCY BANKS.

I.

## BANK of BENGAL during the four weeks ended 28th June 1913.

	Receipts.				Disbursements.				Percentage relative to Total Disbursements.		
	Percentage in Receipts.				Percentage in Disbursements.						
	Currency Notes.	Rupees.	Gold.	Currency Notes.	Rupees.	Gold.	Currency Notes.	Rupees.	Gold.		
Agra	13.78	70.47	15.75	0.33	1.70	0.38	6.18	61.50	32.32	0.17	1.70
Akyab	-	-	1.76	0.01	0.66	0.03	1.90	95.61	2.49	0.01	0.69
Allahabad	52.12	43.48	4.40	0.33	0.69	0.07	55.24	33.88	10.88	0.73	0.45
Benares	17.19	60.55	22.26	0.17	0.60	0.22	38.26	54.95	6.79	0.33	0.48
Bombay	99.93	11.08	.02	0.00	0.01	0.01	99.94	.02	.04	9.12	0.00
Head Office and Local Branches	86.61	12.43	.96	42.77	6.14	0.48	89.12	10.62	.26	43.90	5.23
Cawnpore	29.85	34.71	35.44	0.94	1.09	1.11	42.70	21.23	36.07	1.65	0.82
Chittagong	3.58	96.25	.17	0.03	0.73	0.00	16.39	82.68	.93	0.05	0.23
Dacca	16.79	83.18	.03	0.35	1.73	0.00	28.73	70.42	.85	0.45	1.09
Delhi	5.59	53.48	40.93	0.16	1.55	1.19	10.24	34.86	54.90	0.22	0.75
Hyderabad	10.13	84.17	5.70	0.13	1.08	0.07	22.72	75.01	2.27	0.29	0.95
Jalpaiguri	23.20	76.80	—	0.12	0.41	—	17.91	82.09	—	0.12	0.54
Lahore	46.22	21.88	31.90	2.86	1.36	1.98	51.15	22.79	26.06	4.86	2.17
Lucknow	18.28	68.43	13.29	0.37	1.37	0.27	25.12	60.42	14.46	0.61	1.47
Moulmein	6.32	93.65	.03	0.06	0.94	0.00	10.79	84.80	4.41	0.09	0.70
Nagpore	5.12	93.57	1.31	0.07	1.31	0.02	18.30	67.58	14.12	0.19	0.69
Patna	20.61	78.92	.47	0.19	0.72	0.00	25.08	74.48	.44	0.20	0.60
Rangoon	83.48	16.31	.21	8.86	1.73	0.02	94.92	4.24	.84	9.03	0.40
Secunderabad	10.90	88.00	1.10	0.04	0.36	0.00	13.82	79.99	6.19	0.12	0.69
Simla	75.14	16.28	8.58	.046	0.10	0.05	70.39	23.70	5.91	0.85	0.29
Totals	—	—	—	69.83	24.27	5.90	—	—	72.98	19.94	7.08
					100					100	

II.  
BANK OF BOMBAY during the months from February to May 1913.

	Receipts.				Disbursements.				Percentage relative to Total Receipts.				Percentage in Disbursements.				Percentage relative to Total Disbursements.			
	Currency Notes.	Rupees.	Gold.	Currency Notes.	Rupees.	Gold.	Currency Notes.	Rupees.	Gold.	Currency Notes.	Rupees.	Gold.	Currency Notes.	Rupees.	Gold.	Currency Notes.	Rupees.	Gold.	Currency Notes.	Rupees.
Head Office	-	-	-	87.99	10.09	1.91	65.84	7.55	1.43	92.74	5.94	1.31	65.87	4.22	0.93	-	-	-	-	-
Ahmedabad	-	-	-	28.67	63.92	7.40	0.46	1.03	0.12	9.75	83.29	6.95	0.16	1.36	0.11	-	-	-	-	-
Akola	-	-	-	1.82	94.89	3.28	0.02	1.24	0.04	0.81	96.97	2.21	0.01	1.51	0.04	-	-	-	-	-
Amritot	-	-	-	5.41	91.18	3.40	0.06	1.03	0.04	1.13	95.51	3.35	0.02	1.92	0.07	-	-	-	-	-
Brocach	-	-	-	6.37	63.23	30.39	0.08	0.82	0.39	1.17	66.31	32.51	0.05	2.92	1.43	-	-	-	-	-
Hyderabad, Sind	-	-	-	27.65	66.56	5.78	0.25	0.60	0.05	33.01	56.63	11.35	0.21	0.35	0.07	-	-	-	-	-
Indore	-	-	-	26.38	50.21	23.40	0.36	0.68	0.32	35.90	32.34	31.75	0.53	0.47	0.47	-	-	-	-	-
Jalgaon	-	-	-	6.77	49.37	43.85	0.04	0.26	0.23	3.64	60.44	35.91	-	0.28	0.17	-	-	-	-	-
Karachi	-	-	-	97.05	1.77	1.17	13.05	0.24	0.16	98.26	0.82	0.91	-	0.10	0.12	-	-	-	-	-
Poona	-	-	-	49.30	44.93	5.76	0.49	0.45	0.06	52.74	40.49	6.76	-	0.59	0.10	-	-	-	-	-
Rajkot	-	-	-	20.40	73.32	6.27	0.16	0.57	0.05	7.45	81.30	11.24	0.04	0.50	0.07	-	-	-	-	-
Sholapur	-	-	-	10.77	85.81	3.41	0.05	0.41	0.01	9.43	83.35	7.21	0.04	0.35	0.03	-	-	-	-	-
Sukkur	-	-	-	17.65	72.61	9.73	0.11	0.44	0.06	21.54	52.39	26.06	0.18	0.43	0.21	-	-	-	-	-
Surat	-	-	-	56.32	32.27	11.40	0.42	0.24	0.09	50.90	33.56	15.53	0.33	0.22	0.10	-	-	-	-	-
* Totals	-	-	-	-	-	-	81.39	15.56	3.05	-	-	-	80.86	15.22	3.92	100	100	100	100	100

III.

BANK of MADRAS from 1st to 28th June 1913.

Currency Notes.	Receipts.			Disbursements.			Percentage relative to Total Disbursements.		
	Percentage in Receipts.			Percentage in Disbursements.			Percentage relative to Total Disbursements.		
	Rupees.	Gold.	Currency Notes.	Rupees.	Gold.	Currency Notes.	Rupees.	Gold.	Currency Notes.
Head Office -	-	-	87.32	11.96	0.72	38.97	5.34	0.32	91.66
Alleppey -	-	-	0.21	85.23	14.56	0.01	3.01	0.52	0.16
Bangalore -	-	-	26.53	73.42	0.05	1.43	3.95	0.00	35.72
Bimlipatam -	-	-	13.24	86.31	0.45	0.29	1.93	0.01	63.62
Calicut -	-	-	59.10	39.82	1.08	1.78	1.20	0.03	22.34
Cocanada -	-	-	22.63	77.37	0.00	0.55	1.89	0.00	59.21
Cochin -	-	-	13.33	23.18	63.49	0.62	1.09	2.98	11.30
Coimbatore -	-	-	92.98	6.19	0.83	1.64	0.11	0.02	79.35
Erode -	-	-	34.14	65.60	0.26	0.45	0.87	0.00	47.73
Guntur -	-	-	18.60	81.40	-	0.57	2.53	-	15.67
Madura -	-	-	33.15	65.97	0.88	1.05	2.09	0.03	27.44
Mangalore -	-	-	46.98	52.74	0.28	0.72	0.81	0.00	68.60
Masulipatam -	-	-	27.68	72.23	0.09	0.23	0.59	0.00	33.50
Negapatam -	-	-	18.43	81.56	0.00	0.69	3.04	0.00	33.32
Ootacamund -	-	-	76.73	19.48	3.79	0.61	0.16	0.03	57.56
Salem -	-	-	32.28	67.70	0.02	0.29	0.60	0.00	39.65
Tellicherry -	-	-	26.73	72.70	0.57	1.52	4.14	0.03	61.91
Tuticorin -	-	-	4.33	95.63	0.04	0.49	10.77	0.00	90.53
<b>Totals -</b>		-	-	-	51.91	44.12	3.97	-	53.31
		-	-	-	100	100	100	-	100
		-	-	-	-	-	-	4.31	42.38
		-	-	-	-	-	-	12.13	12.13
		-	-	-	-	-	-	0.04	0.04

## APPENDIX XLIV.

CORRESPONDENCE WITH MR. GOPAL KRISHNA GOKHALE, C.I.E., A FORMER MEMBER OF THE VICEROY'S LEGISLATIVE COUNCIL, REGARDING THE SUBMISSION BY HIM TO THE COMMISSION OF A STATEMENT OF HIS VIEWS ON THE SUBJECTS REFERRED TO THE COMMISSION FOR CONSIDERATION.

Dear Sir,

12th June 1913.

I HAVE shown your letter of the 7th instant to the Chairman of this Commission. He desires me to express his great regret that you find yourself unable to attend and give evidence before the Commission, as the Commission were particularly anxious to have the advantage of hearing you. He is also very sorry to hear of the cause which makes it necessary for you to decline the invitation to attend.

In the circumstances the Chairman feels that he cannot press you further to appear as a witness before the Commission, but the Commission would be very glad if you could see your way to preparing, for their benefit, a short statement of your views on the subjects referred to the Commission for consideration, and in particular of any criticisms on the existing policy and methods adopted by the India Office and the Government of India in regard to currency and finance. Such a statement could, if the Commission so desired, be incorporated in an appendix to their report as representing your views.

G. K. Gokhale, Esq., C.I.E.  
12, Queen Anne's Gate, S.W.

Yours faithfully,  
BASIL P. BLACKETT.

Servants of India Society, Poona City,  
17th October 1913.

I ARRIVED in this country from Europe on the 3rd of this month, and I shall have to rejoin the Royal Commission on Public Services in India on the 31st instant. I had hoped to be able to put down on paper, during this interval, my views on some of the questions referred to the Royal Commission on Indian Finance and Currency, as so kindly desired by its Chairman. But I regret to say that the demands on my brief time—largely on account of recent developments in the situation of the British Indians in South Africa—are so heavy that I find it impossible to handle satisfactorily the material which I had desired to work up and on which I had intended to base my views. In these circumstances, I have no choice but respectfully to ask that the Commission will be pleased to excuse me for my inability to respond to its invitation.

Yours faithfully,  
G. K. GOKHALE.

Dear Sir,

4th November 1913.

I HAVE the honour to acknowledge the receipt of your letter of the 17th ultimo, stating that you regret, owing to the demands on your time, to be unable to furnish to this Commission your views on any of the questions referred to it for consideration. Your letter will be laid before the Chairman and members of the Commission.

G. K. Gokhale, Esq.,  
Servants of India Society,  
Poona City, Bombay.

Yours faithfully,  
BASIL P. BLACKETT.

## APPENDIX XLV.

STATEMENTS SUPPLIED BY THE GOVERNMENT OF INDIA SHOWING THE WORKING  
OF THEIR TREASURY SYSTEM, TOGETHER WITH TWO PREFATORY NOTES BY  
MR. M. F. GAUNTLETT, I.C.S., COMPTROLLER AND AUDITOR-GENERAL  
(WITH REFERENCE TO Q. 4760, PAGE 213, Cd. 7069).

Finance Department, Simla,

Dear Mr. Newmarch,

14th August 1913.

WITH reference to your demi-official letter No. F. 3560, dated 18th July 1913, I write to let you know that the information as to the working of Indian treasuries, required by the Royal Commission on Indian Finance, is being collected and will be supplied as soon as it is available. It will not be practicable, however, to include separate information about sub-treasuries as their transactions are incorporated in the District Treasury accounts and not shown separately. Sub-treasuries are merely centres for collecting revenue and very few payments are made by them, surplus collections being remitted at frequent intervals to the District Treasury or occasionally to some more conveniently situated treasury.

Yours, &c.,

F. W. Newmarch, Esq.,  
Financial Secretary,  
India Office, London.

(Signed) J. B. BRUNYATE.

NOTE, DATED THE 26TH SEPTEMBER 1913, BY MR. M. F. GAUNTLETT, I.C.S.,  
COMPTROLLER AND AUDITOR GENERAL.

I propose to describe briefly in this note Resource operations in India in connection with Treasury balances.

2. The resource unit is the Treasury of which there are 271 in India. There is one treasury in each district and attached to each treasury are two or more sub-treasuries. These are mainly collecting centres and few classes of payments are made therein. Sub-treasury surpluses are usually remitted to the district treasury, but in some cases are remitted to a neighbouring treasury if that be nearer and in need of funds. Remittances from sub-treasuries usually have to travel 20 or 30 miles by road. The responsibility for the cash in each treasury rests in the treasurer who gives security and is a paid servant of Government, though allowed sometimes to work through a deputy. He has a staff of money-testers working under him.

3. Treasuries may be classified according to the magnitude of the transactions into "large," "medium," and "small," and also as "surplus" or "deficit." The statements submitted herewith indicate the magnitude of the transactions at each class of treasury. They also indicate that transactions vary largely from month to month, and from day to day, especially on the receipt side. The main causes of such variations are the dates on which the land revenue receipts fall due in each district, and the rush of public works expenditure during the cold weather. Another cause which is still important in a few districts, though not nearly so important as formerly, is the payment of advances to cultivators for opium sowings. Other causes of monthly variation are payments of interest and surplus profits to railway companies, and sales of opium and excise licenses.

4. The net result of these causes is that in every district the difference between revenue and expenditure varies largely from month to month. Thus a few districts are surplus every month, a few deficit in others. In the case of surplus and deficit treasuries we try to rectify matters by selling supply bills at deficit or surplus treasuries. At the other treasuries we try to retain the surplus receipts at the treasury to be used during these deficit months by transferring them to the currency chest, which is to be

found at almost every treasury. By this device part of the currency reserve is distributed over a large number of treasuries, and a large number of remittances of treasury balances are obviated by making a transfer from treasury to currency at one treasury against an equivalent transfer from currency to treasury at another. I mention this specially because it is most desirable from a resource point of view, that this device should be retained even if the management of the currency note issue be made over to a State Bank.

5. It will be seen that in selling supply bills and other similar forms of remittance, Government are undertaking banking business, and, in so doing, are benefitting themselves and offering a convenience to the public of which they would otherwise be deprived. All such business would of course fall into the hands of a State bank at every centre at which a branch is opened. For this reason the figures of such transactions are shown separately in the statements submitted herewith.

6. I now proceed to detail the statements submitted herewith, and to discuss the results shown therein.

7. Statement I. shows the total volume of annual transactions in district treasuries, Presidency Banks, and in reserve and remittance treasuries. Details by provinces are given in Statements II. to IV. The main feature in Statement I. is the gross issue (except as remittances) of 141 crores in 1912-13 from 271 treasuries. This is a monthly issue of  $11\frac{1}{4}$  crores. To meet this monthly issue the treasury balances (including those at sub-treasuries) varied from 9 to 12 crores, except in March when it rose to 14. These were larger than usual as 1912-13 was a year of easy treasury balances. These balances fell as low as 6·9 crores in 1908-9. These figures of balances are those of the last day of each month when they have to be at their highest to meet the heavy payments at the beginning of each month. The average daily balances are probably considerably smaller.

It is possible too that in some cases post office receipts have been shown as "Remittances," as they are shown technically in the treasury accounts, although for this purpose they should be included under "Other transactions." If any such error has occurred the issues were larger than the  $11\frac{1}{4}$  crores shown above.

8. Statements V. to VII. show the volume of transactions at small, medium, and large district treasuries, and the total number of treasuries in each class. No general scale, however, was fixed for the purpose of classification, so that the Accountants-General have fixed their own scales and the results when brought together are not satisfactory. Accepting the classification as it stands, however, I have facilitated comparison by grouping together the smaller provinces—Assam, Central Provinces and Bihar and Orissa, then India and Burma, which show a curious combination of small and large treasuries, and finally the more important provinces from the resource point of view, Bengal, United Provinces, Punjab, Madras, and Bombay.

It would have been preferable to have prescribed a general scale for all India, say, total transactions not exceeding annually 75 lakhs "small"—200 lakhs "medium"—others "large."

With such a scale it is probable that the distribution of treasuries would have been approximately as follows:—

		Small under 75 lakhs.	Medium under 200 lakhs.	Large.	Total.
Assam	-	7	6	—	13
Central Provinces	-	12	9	1	22
Bihar and Orissa	-	10	9	1	20
India	-	7	3	3	13
Burma	-	24	9	6	39
Bengal	-	7	15	4	26
United Provinces	-	15	26	7	48
Punjab	-	9	15	10	34
Madras	-	—	19	9	28
Bombay	-	4	16	8	28
Total	-	95	127	49	271

It is preferable, however, to have this statement prepared more exactly and I am therefore calling for revised statements V. to VII. classified as above and shall forward them on receipt.

The present number of branches of Presidency Banks is 35, and it is probable that all but one or two of these conduct the treasury work at treasuries classified as "large" above.

The present statements are interesting as showing that there are about 40 treasuries with annual transactions of less than 50 lakhs.

One important point to look at in these statements is the extent to which large surpluses are accumulated at treasuries which are not required there. Taking first the large treasuries (Statement VII.) it will be seen that the main excesses of receipts over issues under "Other transactions" occur in Burma 5½ crores, Bengal 1½ crores, and Madras 5 crores. Of course there are large surplus treasuries elsewhere, e.g., Ajmere in India, Gorakhpur in the United Provinces, and Lyallpur in the Punjab, the two former from railway earnings paid in there and the last from heavy revenue receipts.

Some of the "medium" treasuries (Statement VI.) are also largely surplus, see, e.g., Burma 1½ crores, and Bengal 2 crores.

9. Statements VIII. to X. show the average volume of transactions in each month for a "small," "medium," and "large" treasury, and here the main feature is the heavy expenditure in the last quarter of the financial year, specially in March.

10. Statements XI. to XIII. show the variations in the transactions in each class of treasury in each province during the "kist" (period of payment of land revenue), slack and normal periods and periods of heavy payments. The majority of the treasuries under "India" are political and do not have fluctuations due to different seasons of revenue collections. The periods of revenue collections in the other provinces are indicated below:—

Central Provinces -	-	January to March and May (March being the heaviest season) to June.
Burma -	-	Ditto ditto.
Assam -	-	Ditto ditto.
Bengal -	-	September, January, and March (January and March being the heaviest periods).
Bihar and Orissa -	-	January and March.
United Provinces -	-	15th May to 31st July and 15th November to 31st January (December, January, May, and June being the heaviest periods).
Punjab and North-West		
Frontier Province -	-	June to July and January to February (June, July, and January being the heaviest periods).
Madras -	-	January to March.
Bombay -	-	January to March (March is the heaviest period).

The most noticeable features of these statements are—

- (a) the constant remittances from treasuries during periods of heavy receipts. This seems to be an answer to any charge of unduly locking up funds in district treasuries (*see also* paragraph 7 above);
- (b) the trivial nature of the transactions at small treasuries in slack and normal periods;
- (c) the importance of March from the resource point of view as a period of very heavy receipts and payments.

11. Statements XIV. and XV. show the volume of transactions by months at the head offices of Presidency Banks and the reserve and the remittance treasuries, respectively, during the year 1912–13. The former, on the whole, shows less monthly variation than district treasuries.

12. Statement XVI. shows the volume of transactions for a week at the above treasuries, first when receipts are very heavy, secondly when payments are very high, and thirdly during normal periods when there are no specially large receipts or payments.

## II.

SUPPLEMENTARY NOTE, DATED THE 16TH OCTOBER 1913,  
BY MR. M. F. GAUNTLETT.

With reference to paragraph 8 of my unofficial note, dated 26th September 1913, I forward herewith three revised statements showing the total volume of transactions at small, medium, and large treasuries during the year 1912-13, classification of treasuries being based on the scale referred to therein. According to this classification the distribution of treasuries would be as follows :—

Province.	Small under 75 lakhs.	Medium under 200 lakhs.	Large.	Total.
Assam - - - - -	11	2	—	13
Central Provinces - - - - -	14	6	2	22
Bihar and Orissa - - - - -	7	13	—	20
India - - - - -	10	1	2	13
Burma - - - - -	22	13	4	39
Bengal - - - - -	5	17	4	26
United Provinces - - - - -	9	32	7	48
Punjab - - - - -	20	10	4	34
Madras - - - - -	1	15	12	28
Bombay - - - - -	3	16	9	28
Total - - - - -	102	125	44	271

Madras has got the highest number of large treasuries (12), of which 5 are in the charge of the Bank of Madras. Next to Madras are Bombay and United Provinces. The United Provinces have got the largest number of medium treasuries (32), and Burma and Punjab the largest number of small treasuries (22 and 20 respectively).

It may be mentioned that there is a difference of 3,95,72 in the total of payments under "Supply bills and telegraphic transfers" from that of the original figure in Statement No. II. This is due to the inclusion of currency transfers under treasury transactions by the Accountant-General, Burma. The reason for this inclusion has been stated to be that payments from currency chests form a very large portion of the transactions and are made by the treasury staff. In other provinces such payments are usually made from the treasuries after the requisite funds have been transferred from the currency chests to the treasury balances.

## STATEMENT I.

TOTAL TRANSACTIONS AT DISTRICT TREASURIES, PRESIDENCY BANKS, AND RESERVE  
REMITTANCE  
TREASURIES DURING 1912-13.

(In Thousands of Rupees.)

	RECEIPTS.				ISSUES.				Total Volume of Trans- actions.
	Remit- tances.	Supply Bills and Telegra- phic Transfers.	Other Trans- actions.	Total.	Remit- tances.	Supply Bills and Telegra- phic Transfers.	Other Trans- actions.	Total.	
District Treasuries -	41,29,61	6,77,29	1,57,77,94	2,05,84,84	62,80,27	7,26,68	1,33,50,18	2,03,57,13	4,09,11,97
Presidency Banks -	46,79,37	4,87,63	64,39,21	1,16,06,21	21,72,44	4,79,27	89,17,09	1,15,08,80	2,31,75,01
Reserve Remittance	78,31,15	—	13,03,76	91,34,91	74,76,66	—	9,27,77	84,04,43	1,75,39,34
Total - - - - -	1,66,40,13	11,64,92	2,35,20,91	4,13,25,96	1,59,29,37	12,05,95	2,31,95,04	4,03,30,96	8,16,56,52

## STATEMENT II.

TRANSACTIONS OF DISTRICT TREASURIES DURING THE YEAR 1912-13.  
(In Thousands of Rupees.)

Provinces.	Number of Tre- a- suries.	Receipts.				Issues.				Total Volume of Trans- actions.
		Remit- tances.	Supply Bills and Telegraphic Transfers.	Other Trans- actions.	Total.	Remit- tances.	Supply Bills and Telegraphic Transfers.	Other Trans- actions.	Total.	
India	13	2,01,78	18,09	6,91,63	9,11,50	2,33,45	13,02	6,53,77	9,00,94	18,11,74
Central Provinces	22	2,51,80	11,89	7,45,65	10,09,34	4,12,50	9,64	5,29,47	9,51,61	19,60,95
Burma	39	3,98,88	1,21,42	19,11,57	23,41,87	9,50,87	1,22,51	11,83,54	22,65,92	46,07,70
Assam	13	78,36	57,49	3,49,42	4,85,27	1,51,71	72,80	2,55,94	4,80,45	9,65,72
Bengal	26	1,84,82	62,75	14,56,76	16,84,33	6,86,17	98,00	9,26,18	17,10,36	33,94,88
Bihar and Orissa	20	1,28,06	86,67	8,03,43	10,18,18	2,76,69	44,52	7,03,57	10,34,78	20,42,94
United Provinces	48	8,58,78	73,58	26,49,79	35,82,10	9,05,36	49,97	25,70,42	36,84,75	71,69,85
Punjab	34	9,70,92	1,58,83	22,84,21	34,13,96	6,44,36	29,00	27,02,52	33,76,87	67,89,83
Madras	28	5,77,83	25,35	26,19,52	32,22,70	11,76,98	1,97,86	18,20,36	31,96,18	64,17,88
Bombay	28	5,88,88	61,27	22,65,96	29,16,81	7,73,21	50,38	20,04,41	28,67,98	57,83,59
Total	271	41,29,61	6,77,29	1,57,77,94	2,05,84,84	62,80,27	7,26,68	1,33,50,18	2,03,57,13	4,09,41,97

## STATEMENT III.

TRANSACTIONS AT THE HEAD OFFICES OF PRESIDENCY BANKS DURING 1912-13.  
(In Thousands of Rupees.)

—	Number of Tre- a- suries.	Receipts.				Issues.				Total Volume of Trans- actions.
		Remit- tances.	Supply Bills and Telegraphic Transfers.	Other Trans- actions.	Total.	Remit- tances.	Supply Bills and Telegraphic Transfers.	Other Trans- actions.	Total.	
India	1 {	26,01,00	1,12,40	10,65,12	38,68,52	2,60,39	2,46,24	33,53,80	38,60,43	77,28,95
Bengal	1 {	3,40,34	75,44	19,41,56	23,57,34	16,32,10	53,59	12,72,78	23,58,45	47,15,79
Mudras	1	6,78,31	1,88,51	7,35,14	16,01,96	2,68,49	3,18	13,26,41	16,97,08	31,99,04
Bombay	1	9,68,72	1,11,28	23,97,39	37,78,39	6,11,46	1,76,26	29,65,12	37,52,84	76,31,93
Total	3	46,70,37	4,87,63	64,39,21	1,16,06,81	21,72,44	4,78,27	89,17,09	1,15,68,80	2,31,75,01

## STATEMENT IV.

RESERVE  
TRANSACTIONS AT TREASURIES DURING THE YEAR 1912-13.  
(In Thousands of Rupees.)

Location.	Number of Tre- a- sury.	Receipts.				Issues.				Total Volume of Trans- actions.
		Remit- tances.	Supply Bills and Telegraphic Transfers.	Other Trans- actions.	Total.	Remit- tances.	Supply Bills and Telegraphic Transfers.	Other Trans- actions.	Total.	
India	1	29,78,79	—	6,22,36	36,01,15	30,05,00	—	1,95,55	32,00,55	68,01,70
Madras	1	10,09,18	—	—	10,09,18	8,03,98	—	—	8,03,98	18,13,16
Bombay	1	16,63,53	—	6,81,40	23,44,93	14,70,07	—	7,32,22	22,02,29	45,47,22
Cawnpore	1	11,31,43	—	—	11,31,43	11,47,87	—	—	11,47,87	22,79,30
Lahore	1	10,48,22	—	—	10,48,22	10,49,74	—	—	10,49,74	20,97,96
Total	5	78,31,15	—	13,03,76	91,34,91	74,76,66	—	9,27,77	84,04,43	1,75,39,34

## STATEMENT V.

STATEMENT SHOWING BY PROVINCES THE TOTAL VOLUME OF TRANSACTIONS AT "SMALL" TREASURIES DURING 1912-13.

(In Thousands of Rupees.)

Province.	Number of Tre- asuries.	Receipts.				Issues.				Total Gross.
		Remit- tances.	Supply Bills and Tele- graphic Transfers.	Other Trans- actions.	Total.	Remit- tances.	Supply Bills and Tele- graphic Transfers.	Other Trans- actions.	Total.	
<b>SMALLER PROVINCES.</b>										
Assam - - -	11	56,18	23,78	2,28,89	3,08,85	92,05	46,85	1,69,32	3,08,22	6,17,07
Central Provinces - -	14	74,16	10	2,58,12	3,32,38	1,31,84	1,75	1,86,14	3,19,73	6,52,11
Bihar and Orissa - -	7	9,47	8,06	1,58,75	1,76,28	55,75	4,70	1,15,21	1,75,66	3,51,94
<b>LARGER PROVINCES.</b>										
Bengal - - -	5	5,87	3,13	1,42,16	1,51,16	79,65	5,70	69,46	1,54,81	3,05,97
United Provinces - -	9	51,38	21,10	1,92,31	2,64,79	69,68	85	1,92,95	2,63,48	5,28,27
Punjab - - -	20	2,25,16	38,46	6,34,93	8,98,55	2,02,90	1,93	6,91,15	8,95,98	17,94,53
Madras - - -	1	35	—	20,16	20,51	13,51	—	7,79	28,30	41,81
Bombay - - -	3	14,53	3,09	49,67	67,29	9,67	—	59,06	68,73	1,36,02
<b>OTHER PROVINCES.</b>										
India : : -	10	60,67	10,97	1,68,87	2,40,51	32,95	12,04	1,90,52	2,36,11	4,76,62
Burma : : -	22	79,59	18,84	3,76,84	4,74,77	95,08	28,12	3,36,46	4,59,66	9,34,43
Total - -	102	5,77,36	1,27,53	22,30,20	29,35,09	7,83,08	1,02,54	20,18,06	29,03,68	58,38,77

## STATEMENT VI.

STATEMENT SHOWING BY PROVINCES THE TOTAL VOLUME OF TRANSACTIONS AT "MEDIUM" TREASURIES DURING 1912-13.

(In Thousands of Rupees.)

<b>SMALLER PROVINCES.</b>										
Assam - - -	2	22,18	33,71	1,20,53	1,76,42	59,56	25,95	86,02	1,72,23	3,48,65
Central Provinces - -	6	58,96	—	3,51,19	4,10,15	2,21,25	7,89	1,60,81	3,89,95	8,00,10
Bihar and Orissa - -	13	1,18,59	78,61	6,44,68	8,41,88	2,20,94	39,82	5,88,36	8,49,12	16,91,00
<b>LARGER PROVINCES.</b>										
Bengal - - -	17	80,73	41,28	9,13,74	10,35,75	4,64,86	71,91	5,13,60	10,50,37	20,86,12
United Provinces - -	32	3,28,83	48,52	14,76,85	18,51,20	5,34,05	14,12	13,15,98	18,64,15	37,15,35
Punjab - - -	10	3,39,14	48,89	7,25,47	11,18,50	2,27,19	10,44	8,54,74	10,92,37	22,05,87
Madras - - -	15	1,53,03	38	9,10,75	10,64,16	2,88,83	53,40	7,12,42	10,54,65	21,18,81
Bombay - - -	16	1,80,49	58,18	9,02,71	11,41,38	2,72,28	35,57	8,02,14	11,09,99	22,51,37
<b>OTHER PROVINCES.</b>										
India : : -	1	25,00	—	77,95	1,02,95	1,05	—	1,00,38	1,01,43	2,04,38
Burma : : -	13	46,48	34,36	6,19,76	7,00,60	3,45,00	33,86	3,05,57	6,84,43	13,85,03
Total - -	125	13,50,43	3,43,93	67,43,63	84,37,99	26,35,11	2,92,96	54,40,62	83,68,69	1,68,06,68

## STATEMENT VII.

STATEMENT SHOWING BY PROVINCES THE TOTAL VOLUME OF TRANSACTIONS AT "LARGE" TREASURIES DURING 1912-13.

(In Thousands of Rupees.)

<b>SMALLER PROVINCES.</b>										
Assam - - -	—	—	—	—	—	—	—	—	—	—
Central Provinces - -	2	1,18,68	11,79	1,36,34	2,66,81	59,41	—	1,82,52	2,41,93	5,08,74
Bihar and Orissa - -	—	—	—	—	—	—	—	—	—	—
<b>LARGER PROVINCES.</b>										
Bengal - - -	4	78,22	18,34	4,00,86	4,97,42	1,41,66	20,39	3,43,12	5,05,17	10,02,59
United Provinces - -	7	4,81,57	3,91	9,80,63	14,66,11	3,61,63	34,00	10,61,49	14,57,12	29,23,23
Punjab - - -	4	4,06,62	71,48	9,23,81	14,01,91	2,14,26	16,63	11,56,63	13,87,52	27,89,43
Madras - - -	12	4,24,45	24,97	16,88,61	21,38,03	8,74,62	1,44,46	11,00,15	21,19,23	42,57,26
Bombay - - -	9	3,93,36	—	13,13,58	17,06,94	4,91,26	54,79	11,43,21	16,89,26	33,96,20
<b>OTHER PROVINCES.</b>										
India : : -	2	1,16,11	7,12	4,44,81	5,68,04	1,99,45	38	3,62,87	5,62,70	11,30,74
Burma : : -	4	1,82,81	68,22	9,15,47	11,66,50	5,19,79	4,56,25	5,41,51	15,17,55	26,84,05
Total - -	44	22,01,82	2,05,83	68,04,11	92,11,76	28,62,08	7,26,90	58,91,50	94,80,48	1,86,92,24

## STATEMENT VIII.

STATEMENT SHOWING THE AVERAGE VOLUME OF TRANSACTIONS AT A  
 "SMALL" TREASURY.  
*(In Thousands of Rupees.)*

	RECEIPTS.				ISSUES.				Total Volume of Transactions.
	Remittances.	Supply Bills and Telegraphic Transfers.	Other Transactions.	Totals.	Remittances.	Supply Bills and Telegraphic Transfers.	Other Transactions.	Total.	
April -	24	3	1.47	1.74	72	11	1.13	1.96	3.70
May -	14	5	1.67	1.86	77	7	1.09	1.93	3.79
June -	21	5	1.56	1.82	60	3	1.05	1.68	3.50
July -	10	5	1.54	1.69	60	2	1.11	1.73	3.42
August -	26	4	1.09	1.39	56	11	1.03	1.70	3.09
September -	30	7	1.23	1.60	25	19	1.01	1.45	3.05
October -	44	3	1.03	1.50	25	10	1.02	1.37	2.87
November -	17	3	1.07	1.27	45	4	1.01	1.50	2.77
December -	15	2	1.33	1.50	46	4	1.08	1.58	3.08
January -	25	2	2.81	3.08	1,41	5	1.31	2.77	5.85
February -	14	2	2.84	3.00	88	4	1.27	2.19	5.19
March -	15	3	2.47	2.65	1,63	5	1.72	3.40	6.05
Total -	2,55	44	20.11	23.10	8,58	85	13.83	23.26	46.36

## STATEMENT IX.

STATEMENT SHOWING THE AVERAGE VOLUME OF TRANSACTIONS AT A  
 "MEDIUM" TREASURY.  
*(In Thousands of Rupees.)*

	Receipts.		Total						
	Remittances.	Supply Bills and Telegraphic Transfers.	Other Transactions.	Remittances.	Supply Bills and Telegraphic Transfers.	Other Transactions.	Total.		
April -	93	4	3.79	4.76	1.22	19	3.34	4.75	9.51
May -	1,26	4	4.58	5.88	1.93	8	3.54	5.55	11.43
June -	76	12	4.38	5.26	2.68	5	3.32	6.05	11.31
July -	73	16	3.73	4.62	1.90	8	3.58	5.56	10.18
August -	88	15	2.84	3.87	.97	7	3.18	4.22	8.09
September -	97	11	3.01	4.09	70	12	3.07	3.89	7.98
October -	96	9	2.70	3.75	38	14	3.33	3.85	7.60
November -	1,10	9	3.41	4.60	1.75	6	2.83	4.64	9.24
December -	64	10	4.01	4.75	1.05	9	3.10	4.24	8.99
January -	78	8	5.06	5.92	1.95	17	3.60	5.72	11.64
February -	53	6	5.16	5.75	79	33	3.47	4.59	10.34
March -	1,32	8	6.98	8.38	3.04	54	5.43	9.01	17.39
Total -	10,86	1,12	49.65	61.63	18.36	1,92	41.79	62.07	1,23.70

## STATEMENT X.

STATEMENT SHOWING THE AVERAGE VOLUME OF TRANSACTIONS AT A  
 "LARGE" TREASURY.  
*(In Thousands of Rupees.)*

	Receipts.		Total						
	Remittances.	Supply Bills and Telegraphic Transfers.	Other Transactions.	Remittances.	Supply Bills and Telegraphic Transfers.	Other Transactions.	Total.		
April -	3.52	58	10.72	14.82	4.89	92	9.98	15.29	30.11
May -	2.85	50	11.71	15.06	5.49	53	9.13	15.15	30.21
June -	2.42	47	12.43	15.32	6.28	50	9.03	15.81	31.13
July -	3.16	52	12.62	16.30	5.40	83	10.16	16.39	32.69
August -	3.52	57	9.14	13.23	3.48	88	9.43	13.79	27.02
September -	3.68	51	9.85	14.04	3.50	70	9.50	13.70	27.74
October -	3.27	45	9.86	13.58	3.76	66	9.53	13.95	27.53
November -	3.72	59	9.57	13.88	4.19	28	8.89	13.36	27.24
December -	4.03	49	8.94	13.46	3.48	1,17	8.65	13.30	26.76
January -	3.03	90	16.17	20.10	7.80	80	10.24	18.84	38.94
February -	3.13	72	15.78	19.63	5.58	1,17	10.50	17.25	36.88
March -	5.65	1,00	17.68	24.33	7.73	1,44	14.80	23.97	48.30
Total -	41.98	7,80	1,44,47	1,93,75	61.08	9,88	1,19,84	1,90,80	3,84,55

## STATEMENT XI.

TRANSACTIONS FOR ABOUT A WEEK IN A "SMALL" TREASURY IN EACH PROVINCE.

(In Thousands of Rupees.)

	Central Provinces.	Burma.	Assam.	Bengal.	Bihar and Orissa.	United Provinces.	Punjab and North-West Frontier.	Madras.	Bombay.
KIST PERIOD -	20th to 25th Jan. 1913.	22nd to 28th Feb. 1913.	17th to 25th Feb. 1913.	25th to 31st Mar. 1913.	Last week of Mar. 1913.	2nd week of June 1912.	15th to 20th July 1912.	10th to 15th Mar. 1913.	Week ending 15th Feb. 1913.
Receipts—									
Remittances -	—	—	—	—	10	—	—	—	—
Supply Bills and Telegraphic Transfers.	—	1	—	—	4	3	—	—	2
Other Transactions -	33	279	82	167	66	60	177	123	295
Total -	33	280	82	167	80	63	177	123	297
Issues—									
Remittances -	100	15	100	260	22	155	—	30	—
Supply Bills and Telegraphic Transfers.	—	—	—	—	—	—	—	5	—
Other Transactions -	15	168	14	40	66	35	36	97	74
Total -	115	183	114	300	88	190	36	132	74
SLACK PERIOD -	16th to 21st Sept. 1912.	8th to 15th Aug. 1912.	15th to 22nd Aug. 1912.	8th to 14th Nov. 1912.	1st week of May.	4th week of Sept. 1912.	21st to 27th Sept.	8th to 13th July 1912.	Week ending 30th Nov. 1912.
Receipts—									
Remittances -	10	20	—	—	6	—	—	—	—
Supply Bills and Telegraphic Transfers.	—	10	1	—	—	—	—	—	—
Other Transactions -	18	71	19	28	36	23	21	42	39
Total -	28	101	20	28	42	23	21	42	39
Issues—									
Remittances -	—	—	26	—	150	47	—	—	—
Supply Bills and Telegraphic Transfers.	—	—	—	—	—	—	—	—	—
Other Transactions -	9	81	6	11	30	7	36	55	40
Total -	9	81	32	11	180	54	36	55	40
NORMAL PERIOD -	6th to 11th Jan. 1913.	1st to 7th Nov. 1912.	12th to 23rd Dec. 1912.	5th to 11th Aug. 1912.	1st week of Aug. 1912.	2nd week of Feb. 1913.	1st 6 working days in Mar.	11th to 16th Nov. 1912.	Week ending 31st July 1913.
Receipts—									
Remittances -	—	4	—	1	75	—	—	60	—
Supply Bills and Telegraphic Transfers.	—	—	—	—	—	—	—	—	1
Other Transactions -	18	77	56	41	3	66	25	42	50
Total -	18	81	57	116	3	66	85	42	51
Issues—									
Remittances -	—	—	62	—	—	69	—	—	11
Supply Bills and Telegraphic Transfers.	—	—	3	35	—	—	—	—	—
Other Transactions -	20	80	20	19	30	21	90	46	57
Total -	20	80	85	54	30	90	90	46	68
PERIOD OF HEAVY PAYMENTS.	24th to 29th Mar. 1913.	8th to 15th Mar. 1913.	20th to 31st Mar. 1913.	25th to 31st Mar. 1913.	Last week of Mar. 1913.	4th week of Mar. 1913.	1st 6 working days in Apr.	17th to 25th Mar.	Week ending 31st Mar.
Receipts—									
Remittances -	—	—	—	—	10	—	100	—	—
Supply Bills and Telegraphic Transfers.	—	2	—	—	4	—	—	—	—
Other Transactions -	18	167	119	167	66	53	24	371	169
Total -	18	169	119	167	80	53	124	371	169
Issues—									
Remittances -	—	200	40	260	22	35	—	—	—
Supply Bills and Telegraphic Transfers.	—	—	—	—	—	—	—	—	—
Other Transactions -	18	141	38	40	66	42	99	179	187
Total -	18	341	78	300	88	77	99	179	187

## STATEMENT XII.

TRANSACTIONS FOR ABOUT A WEEK IN A "MEDIUM" TREASURY IN EACH PROVINCE.

(In Thousands of Rupees.)

	Central Pro-vince.	Burma.	Assam.	Bengal.	Bihar and Orissa.	United Provinces.	Punjab and North-West Frontier Province.	Madras.	Bombay
KIST PERIOD -	17th to 22nd Feb. 1913.	8th to 15th Mar. 1913.	15th to 22nd Feb. 1913.	25th to 31st Mar. 1913.	Last week of Mar. 1913.	2nd week of June.	15th to 21st June.	Mar. 1913.	Week ending 31st Mar. 1912.
Receipts—									
Remittances -	—	—	—	—	—	—	—	1,78	1,00
Supply Bills and Tele-graphic Transfers.	—	1	3	19	6	—	2	—	—
Other Transactions -	1,78	2,02	1,78	3,97	1,57	2,42	94	4,07	5,56
Total -	1,78	2,03	1,81	4,16	1,63	2,42	96	5,85	6,56
Issues—									
Remittances -	—	—	1,00	2,83	27	2,64	—	3,80	1,11
Supply Bills and Tele-graphic Transfers.	—	—	16	30	1	—	—	—	1,68
Other Transactions -	39	1,02	22	1,21	1,40	1,40	—	2,80	4,28
Total -	39	1,02	1,38	4,34	1,68	4,04	—	6,60	7,07
SLACK PERIOD -	16th to 21st Sept. 1912.	23rd to 30th Sept. 1912.	1st to 7th Aug. 1912.	15th to 21st Nov. 1912.	1st week of May.	4th week of Sept.	22nd to 29th Aug.	Dec. 1912.	Week end-ing 30th Sept. 1912.
Receipts—									
Remittances -	—	51	25	66	—	—	—	49	—
Supply Bills and Tele-graphic Transfers.	—	15	4	1	—	—	—	—	—
Other Transactions -	26	29	23	41	66	85	12	1,26	43
Total -	26	95	52	1,08	66	85	12	1,75	43
Issues—									
Remittances -	—	—	92	—	—	29	—	33	12
Supply Bills and Tele-graphic Transfers.	—	—	32	13	—	—	—	—	—
Other Transactions -	14	35	16	15	79	76	46	1,43	58
Total -	14	35	1,40	28	79	1,05	46	1,76	70
NORMAL PERIOD -	6th to 11th Jan. 1913.	1st to 7th Nov. 1912.	1st to 7th Nov. 1912.	1st to 7th May 1912.	1st week of August.	2nd week of Feb.	1st to 7th June.	Aug. 1912.	Week end-ing 22nd June 1912.
Receipts—									
Remittances -	—	—	69	—	—	—	—	42	—
Supply Bills and Tele-graphic Transfers.	—	28	4	—	7	—	—	—	—
Other Transactions -	55	85	53	52	1,05	88	—	1,61	1,00
Total -	55	1,13	1,26	52	1,12	88	—	2,03	1,00
Issues—									
Remittances -	—	—	1,00	—	—	35	—	90	18
Supply Bills and Tele-graphic Transfers.	—	—	51	46	—	—	—	—	—
Other Transactions -	50	1,27	33	77	82	1,15	1,22	1,49	1,02
Total -	50	1,27	1,84	1,23	82	1,50	1,22	2,39	1,20
PERIOD OF HEAVY PAYMENTS.	24th to 29th Mar. 1913.	8th to 15th Aug. 1912.	8th to 15th Aug. 1912.	25th to 31st Mar. 1913.	Last week of Mar. 1913.	4th week of Mar.	1st to 7th Aug.	Mar. 1913.	Week end-ing 8th Mar. 1913.
Receipts—									
Remittances -	—	90	24	—	—	75	—	1,78	75
Supply Bills and Tele-graphic Transfers.	—	3	2	19	6	3	3	—	—
Other Transactions -	50	33	1,56	3,97	1,57	97	42	4,07	3,18
Total -	50	1,26	1,82	4,16	1,63	1,75	45	5,85	3,93
Issues—									
Remittances -	—	—	50	2,83	27	74	—	3,80	1,20
Supply Bills and Tele-graphic Transfers.	—	—	54	30	1	—	—	—	80
Other Transactions -	1,38	1,51	1,38	1,21	1,40	2,44	2,12	2,80	3,09
Total -	1,38	1,51	2,42	4,34	1,68	3,18	2,12	6,60	5,09

## STATEMENT XIII.

TRANSACTIONS FOR ABOUT A WEEK IN AN AVERAGE "LARGE" TREASURY IN EACH PROVINCE.  
(In Thousands of Rupees.)

	Central Provinces.	Burma.	Assam.	Bengal.	Bihar and Orissa.	United Provinces.	Punjab and North-West Frontier Province.	Madras.	Bombay.
<b>KIST PERIOD</b>									
Receipts--		Jan. and Feb.	Mar.	Mar. and May.	Feb. and Mar.	Last week of Mar. and 1st week of Nov.	2nd week of June.	Jan. and July.	Jan. and Mar.
Remittances	75	—	—	29	8	21	—	3,61	1,38
Supply Bills and Telegraphic Transfers.	20	74	45	21	14	—	16	—	2,50
Other Transactions	6,02	5,85	2,02	6,07	5,89	4,81	8,24	15,86	6,05
Total	6,97	6,59	2,47	6,57	6,11	5,02	12,01	17,24	8,55
<b>Issues--</b>									
Remittances	1,33	1,75	56	3,15	86	1,39	4,35	3,95	1,70
Supply Bills and Telegraphic Transfers.	—	—	—	7	5	14	14	2,34	24
Other Transactions	1,13	1,11	1,59	3,04	2,24	3,71	4,12	6,78	5,96
Total	2,46	2,86	2,15	6,26	3,15	5,24	8,61	13,07	7,90
<b>SLACK PERIOD</b>									
Receipts--		Sept. and Nov.	Apr., July, and Aug.	Apr., July, and Dec.	May, Aug., and Nov.	1st and 4th week of May.	4th week of Sept.	Aug., Sept., and Nov.	Sept. and Nov.
Remittances	43	5	16	9	16	—	1,07	97	28
Supply Bills and Telegraphic Transfers.	—	27	38	—	—	—	—	15	—
Other Transactions	98	79	84	2,17	62	2,88	91	3,47	3,14
Total	1,41	1,11	1,38	2,26	78	3,95	2,03	3,75	5,95
<b>Issues--</b>									
Remittances	3,39	44	17	—	59	1,56	29	61	—
Supply Bills and Telegraphic Transfers.	—	22	—	7	—	3	4	4	16
Other Transactions	1,04	76	1,03	2,07	1,73	2,04	1,10	3,05	3,90
Total	4,43	1,42	1,20	2,14	2,52	3,63	1,43	3,70	4,06
<b>NORMAL PERIOD</b>									
Receipts--		Jan.	Sept. to Nov.	June, July, and Sept.	May, Oct., and Nov.	1st week of Aug.	2nd week of Feb.	Aug. and Oct.	July, Aug., and Oct.
Remittances	19	—	—	67	17	58	68	67	1,67
Supply Bills and Telegraphic Transfers.	8	1,40	31	10	42	1	21	—	3,67
Other Transactions	1,57	1,47	1,00	2,46	85	4,33	2,47	3,66	6,08
Total	1,84	2,87	1,98	2,76	1,85	5,02	3,35	5,33	9,75
<b>Issues--</b>									
Remittances	27	75	—	44	—	1,36	—	3,55	—
Supply Bills and Telegraphic Transfers.	—	—	67	12	1	6	9	8	30
Other Transactions	2,16	99	1,21	2,32	1,56	3,53	2,72	1,81	5,58
Total	2,43	1,74	1,88	2,88	1,57	4,95	2,81	5,44	5,88
<b>PERIOD OF HEAVY PAYMENTS.</b>									
Receipts--		Last week of Mar.	Last week of Mar.	Mar. and Oct.	Mar. and Oct.	Last week of Mar.	4th week of Mar.	Mar. and July.	Jan. and Mar.
Remittances	2,93	7	—	—	—	20	2,64	3,50	1,38
Supply Bills and Telegraphic Transfers.	5	40	72	23	15	—	26	—	—
Other Transactions	1,99	3,97	1,86	5,59	4,55	5,16	2,95	16,44	8,87
Total	4,97	4,44	2,58	5,82	4,90	7,80	6,71	17,82	8,87
<b>Issues--</b>									
Remittances	7	1,50	55	4,68	88	2,95	2,32	4,23	5,00
Supply Bills and Telegraphic Transfers.	—	1	82	89	5	10	10	2,41	22
Other Transactions	3,32	2,95	2,32	3,85	2,68	4,77	6,92	7,86	6,09
Total	3,39	4,46	3,69	9,42	3,61	7,82	9,34	14,50	11,31

## STATEMENT XIV.

TRANSACTIONS AT THE PRESIDENCY BANKS DURING THE YEAR 1912-13.

(In Thousands of Rupees.)

Month.	Bank of Bengal.					Bank of Madras.					Bank of Bombay.					Total of Presidency Banks.						
	Re-mittances.		Supply Bills and Telegraphic Transfers.		Other Transactions.	Total.	Re-mittances.		Supply Bills and Telegraphic Transfers.		Other Transactions.	Total.	Re-mittances.		Supply Bills and Telegraphic Transfers.		Other Transactions.	Total.				
	RECEIPTS.																					
April -	-	1,90,94	39,94	2,46,94	4,77,82	1,04,00	28,06	61,19	1,93,25	60,61	9,11	2,18,54	3,55,55	77,11	5,26,67	9,59,33	5,26,67	9,59,33	5,26,67	9,59,33		
May -	-	1,70,81	4,12	2,85,65	4,60,58	38,76	12,25	63,26	1,14,27	35,93	3,25	2,24,73	2,63,91	2,45,50	19,62	5,73,64	8,38,76	5,73,64	8,38,76	5,73,64	8,38,76	
June -	-	1,65,80	3,37	2,25,73	3,94,90	43,32	6,63	58,68	1,08,63	37,28	3,33	2,13,15	2,53,76	2,46,40	13,33	4,97,56	7,57,29	4,97,56	7,57,29	4,97,56	7,57,29	
July -	-	2,64,73	10,21	2,73,37	5,18,31	51,24	7,87	59,31	1,18,42	57,49	9,50	4,95,72	5,02,71	3,73,46	27,58	7,68,40	11,69,44	7,68,40	11,69,44	7,68,40	11,69,44	
August -	-	2,34,73	19,73	2,62,49	5,16,97	20,71	4,21	59,61	84,53	8,32	4,00	2,56,21	2,63,78	2,63,78	27,94	5,78,31	8,70,03	5,78,31	8,70,03	5,78,31	8,70,03	
September -	-	2,85,51	14,02	2,67,23	5,06,76	29,49	2,50	57,71	89,70	40,76	9,60	1,58,32	2,08,68	3,55,76	26,12	4,83,26	8,65,14	4,83,26	8,65,14	4,83,26	8,65,14	
October -	-	2,58,40	6,33	2,56,97	5,21,70	28,49	6,86	55,22	90,57	47,63	12,10	2,02,67	2,62,40	3,34,52	25,29	5,14,86	8,74,67	5,14,86	8,74,67	5,14,86	8,74,67	
November -	-	2,43,30	5,77	2,31,80	5,09,87	56,08	2,09	57,44	1,15,61	62,65	7,55	2,45,35	3,62,03	1,75,15	15,41	4,64,39	8,41,83	4,64,39	8,41,83	4,64,39	8,41,83	
December -	-	2,92,28	97	2,34,80	5,28,05	67,32	30,19	54,39	1,51,90	2,28,30	11,34	1,87,71	2,48,35	5,88,90	42,50	4,76,90	11,08,30	4,76,90	11,08,30	4,76,90	11,08,30	
January -	-	3,68,66	7,05	2,51,66	6,17,37	53,16	21,44	65,48	1,40,08	1,50,65	9,30	1,09,13	2,78,08	3,78,08	37,79	5,71,47	11,35,53	5,71,47	11,35,53	5,71,47	11,35,53	
February -	-	3,70,75	5,40	2,33,29	6,09,44	70,53	30,09	68,23	1,68,85	1,6,40	8,72	2,10,01	3,35,13	5,57,68	44,21	5,11,53	11,13,42	5,11,53	11,13,42	5,11,53	11,13,42	
March -	-	1,95,41	70,93	2,36,75	5,03,09	1,15,20	36,32	74,63	2,26,15	1,13,70	23,48	2,06,05	3,43,23	4,24,31	1,30,73	5,17,43	10,72,47	5,17,43	10,72,47	5,17,43	10,72,47	
Total -	-	30,31,34	1,87,84	30,06,68	62,25,86	6,78,30	1,88,51	7,35,15	16,01,96	9,69,72	1,11,28	26,97,39	37,78,39	46,79,36	4,87,63	64,39,22	1,16,06,21	64,39,22	1,16,06,21	64,39,22	1,16,06,21	
ISSUES.																						
April -	-	1,49,57	20,92	3,01,99	4,72,48	84,41	12	1,22,80	9,16,17	2,07,22	35,27	14,12	2,50,80	3,00,19	2,69,25	35,05	6,75,59	9,79,89	6,75,59	9,79,89	6,75,59	9,79,89
May -	-	1,16,26	20,48	3,25,67	4,62,41	18,62	1,01	1,15,80	83,05	1,05,82	48,79	9,15	2,25,92	2,63,71	2,63,62	30,64	6,47,76	8,41,92	6,47,76	8,41,92	6,47,76	8,41,92
June -	-	1,11,13	13,89	2,61,75	3,86,77	22,15	62	1,04,74	1,10,94	1,76,75	19,28	7,48	1,72,75	2,29,02	1,82,07	21,99	5,17,55	7,21,61	5,17,55	7,21,61	5,17,55	7,21,61
July -	-	1,31,24	29,11	3,93,60	5,33,95	5,84	86	1,04,74	84,76	90,08	1,91,68	17,59	2,03,82	3,99,85	3,13,83	48,75	7,02,16	10,64,74	7,02,16	10,64,74	7,02,16	10,64,74
August -	-	1,26,83	39,46	3,49,22	5,15,51	5,29	3	79,45	90,32	38,63	7,97	3,78,58	3,23,80	1,69,31	57,08	6,03,29	9,84,17	6,03,29	9,84,17	6,03,29	9,84,17	
September -	-	1,50,35	46,11	3,66,53	5,32,99	10,60	27	16,16	1	73,41	89,58	46,45	6,91	2,14,74	54,35	5,45,35	6,14,22	6,14,22	6,14,22	6,14,22	6,14,22	
October -	-	95,63	38,39	3,95,01	5,29,03	1,16,16	1	1,22,80	1,10,01	14,25	6,65	2,62,01	1,58,24	1,68,24	1,68,24	1,68,24	6,77,07	8,80,62	6,77,07	8,80,62	6,77,07	8,80,62
November -	-	88,16	21,34	3,73,55	4,83,05	10,88	22	98,91	1,10,01	1,10,01	2,34,13	1,13,29	2,55,03	2,55,03	2,55,03	28,21	7,06,59	8,48,09	7,06,59	8,48,09	7,06,59	8,48,09
December -	-	50,14	20,33	4,50,74	5,21,21	20,80	58	1,31,79	1,53,17	12,80	4,61	4,24,52	4,41,93	4,41,93	4,41,93	25,52	10,07,05	11,16,31	10,07,05	11,16,31	10,07,05	11,16,31
January -	-	78,63	11,63	6,18,77	8,96	—	—	1,32,97	1,41,43	9,87	4,51	3,45,58	3,59,96	3,59,96	3,59,96	16,14	10,07,06	11,20,66	10,07,06	11,20,66	10,07,06	11,20,66
February -	-	64,30	15,45	5,36,00	6,15,75	23,60	2	1,49,11	1,72,73	5,07	6,12	3,06,46	3,16,65	3,16,65	3,16,65	92,97	21,59	9,90,57	11,05,13	9,90,57	11,05,13	9,90,57
March -	-	1,30,23	22,73	3,44,00	4,96,96	41,18	6	1,68,24	2,09,48	3,36	71,87	2,55,94	3,31,17	3,31,17	3,31,17	1,74,77	94,66	7,68,18	10,37,61	7,68,18	10,37,61	7,68,18
Total -	-	12,92,47	2,99,84	46,26,57	62,18,88	2,68,49	3,19	13,25,40	15,97,08	6,11,46	1,76,26	29,65,12	37,52,84	21,72,42	4,79,29	89,17,09	1,15,68,80	89,17,09	1,15,68,80	89,17,09	1,15,68,80	

STATEMENT XV.

TRANSACTIONS AT THE RESERVE TREASURIES DURING THE YEAR 1912-13.  
(In Thousands of Rupees.)

RECEIPTS.

Month.	Reserve Treasury at Calcutta.			Reserve Treasury at Madras.			Reserve Treasury at Bombay.			Remittance Treasury at Cawnpore.			Remittance Treasury at Lahore.			Remittance Treasury at			Total Transactions.			
	Supply Bills and Telegraphic Transfers.	Remittances.	Total.	Supply Bills and Telegraphic Transfers.	Remittances.	Total.	Supply Bills and Telegraphic Transfers.	Remittances.	Total.	Supply Bills and Telegraphic Transfers.	Remittances.	Total.	Supply Bills and Telegraphic Transfers.	Remittances.	Total.	Supply Bills and Telegraphic Transfers.	Remittances.	Total.				
April	3,09,20	—	40	3,09,60	1,16,20	—	—	1,16,20	72,93	—	—	—	—	—	—	—	1,10,33	7,35,57	—			
May	2,85,43	—	15	2,85,58	80,39	—	—	80,39	74,97	—	—	1,26,91	1,10,33	—	—	60	7,36,17	—	—			
June	3,24,83	—	57	3,29,40	64,99	—	—	64,99	1,29,91	—	—	1,37,31	86,99	—	—	34	6,65,43	—	—			
July	2,24,88	—	3	2,24,91	35,16	—	—	35,16	2,46,42	—	—	21	1,30,12	1,61,09	—	—	78	7,93,62	—	—		
August	76,83	—	75,08	1,51,91	35,24	—	—	35,24	2,41,07	—	—	9	2,46,51	38,30	—	—	152,56	6,97,32	—	—		
September	84,50	—	66,06	1,60,56	40,35	—	—	40,35	1,13,06	—	—	1,42,56	3,83,65	79,97	—	—	57,53	4,90,64	—	—		
October	1,11,41	—	54,98	1,66,39	42,55	—	—	42,55	2,22,04	—	—	1,21,73	2,34,79	58,25	—	—	59,44	3,55,60	—	—		
November	2,02,13	—	3,07,53	5,09,66	38,46	—	—	38,46	96,35	—	—	1,26,73	3,48,77	77,63	—	—	92,35	5,45,98	—	—		
December	2,17,16	—	60,12	2,77,28	1,73,07	—	—	1,73,07	60,57	—	—	60,08	1,56,43	99,40	—	—	99,40	86,80	—	—		
January	3,75,11	—	56,68	4,31,79	1,12,64	—	—	1,12,64	1,26,87	—	—	1,35,31	1,95,88	1,06,96	—	—	1,06,96	92,28	—	—		
February	2,14,59	—	50	2,15,09	1,29,01	—	—	1,29,01	1,58,33	—	—	94,03	2,26,87	1,23,39	—	—	1,23,39	74,12	—	—		
March	3,48,72	—	25	5,48,97	1,41,12	—	—	1,41,12	1,26,1C	—	—	13	1,53,46	34,86	—	—	34,86	72,14	—	—		
Total	29,78,79	—	6,22,35	36,01,14	10,09,18	—	—	10,09,18	16,68,53	—	—	6,81,40	23,44,93	11,31,43	—	—	11,31,43	10,48,22	—	—		
																			13,03,75	91,34,90	—	
ISSUES.																						
April	2,98,13	—	6	2,98,19	1,27,95	—	—	1,27,95	1,35,80	—	—	1	1,35,81	1,22,30	—	—	1,22,30	1,09,39	—	—	1,09,29	
May	1,45,67	—	2	1,45,69	32,23	—	—	32,23	56,32	—	—	1	56,33	1,57,00	93,22	—	—	1,57,00	93,22	—	—	93,22
June	1,16,65	—	1	1,16,66	51,22	—	—	51,22	74,07	—	—	1	74,07	1,88,23	84,63	—	—	1,48,23	84,63	—	—	84,63
July	1,71,74	—	1	1,71,74	67,89	—	—	67,89	1,17,38	—	—	1	1,17,38	37,71	—	—	37,71	1,61,85	—	—	1,61,85	
August	1,98,94	—	1	1,98,95	35,95	—	—	35,95	46,10	—	—	1	46,10	76,34	—	—	76,34	49,68	—	—	49,68	
September	2,40,36	—	2	2,40,38	33,81	—	—	33,81	63,71	—	—	2	44,86	88,57	62,59	—	62,59	80,32	—	—	80,32	
October	3,66,88	—	6	3,72,91	34,91	—	—	34,91	94,27	—	—	3	47,36	4,31,63	82,32	—	82,32	87,71	—	—	87,71	
November	3,08,17	—	50,85	3,59,02	76,05	—	—	76,05	99,17	—	—	5	44,00	1,53,17	1,06,00	—	1,06,00	86,60	—	—	86,60	
December	3,24,47	—	39,32	3,63,78	1,07,72	—	—	1,07,72	3,57,35	—	—	3	38,80	3,96,15	1,06,14	—	1,06,14	89,25	—	—	89,25	
January	3,26,34	—	77,34	4,03,68	67,83	—	—	67,83	1,92,61	—	—	7	79,20	2,71,71	1,15,42	—	1,15,42	78,11	—	—	78,11	
February	3,33,24	—	21	1,96,28	1,04,67	—	—	1,04,67	1,09,26	—	—	6	60,02	1,94,15	45,16	—	45,16	63,31	—	—	63,31	
March	1,74,41	—	1	1,74,41	21,87	—	—	21,87	1,96,28	—	—	1	27,96	2,37,22	89,66	—	89,66	60,41	—	—	60,41	
Total	30,05,00	—	1,95,55	32,00,55	8,03,98	—	—	8,03,98	14,70,07	—	—	7,32,22	22,02,29	11,47,87	—	—	11,47,87	10,49,74	—	—	10,49,74	
																			9,27,77	84,04,43	—	

## STATEMENT XVI.

(In Thousands of Rupees.)

	Bank of Bengal, Calcutta.	Bank of Madras.	Bank of Bombay.	Reserve Treasury, Calcutta.	Reserve Treasury, Madras.	Reserve Treasury, Bombay.	Remittance Treasury, Cawnpore.	Remittance Treasury, Lahore.
<b>PERIOD OF HEAVY RECEIPTS -</b>								
Receipts—								
Remittances	-	-	14th to 19th July.	24th Feb. to 1st Mar.	15th to 20th July.	10th to 15th Mar.	25th to 31st Jan.	8th to 15th June.
Supply Bills and Telegraphic Transfers	-	-	40,00	17,14	10,88	1,50,33	68,50	91,58
Other Transactions	-	-	—	6,13	4,40	—	—	—
Total	-	-	2,74,54	24,92	2,42,88	8	—	5
Issues—								
Remittances	-	-	8,14,54	48,19	2,58,16	1,50,41	68,50	91,63
Supply Bills and Telegraphic Transfers	-	-	82	4,00	3,60	31,08	10,15	9,54
Other Transactions	-	-	13,07	—	9,67	—	—	—
Total	-	-	51,21	47,08	38,30	21,86	—	—
Total								
<b>PERIOD OF HEAVY PAYMENTS -</b>								
Receipts—								
Remittances	-	-	20th to 25th Jan.	24th to 31st Mar.	16th to 21st Dec.	1st to 7th Oct.	16th to 23rd Dec.	8th to 15th Feb.
Supply Bills and Telegraphic Transfers	-	-	—	—	—	19,75	15,13	12,21
Other Transactions	-	-	—	—	—	—	—	—
Total	-	-	—	—	—	—	—	—
Issues—								
Remittances	-	-	1,24,51	81,71	1,61,59	19,76	15,13	12,29
Supply Bills and Telegraphic Transfers	-	-	—	—	—	—	—	—
Other Transactions	-	-	—	—	—	—	—	—
Total	-	-	—	—	—	—	—	—
<b>NORMAL PERIOD -</b>								
Receipts—								
Remittances	-	-	1,17,36	60,14	1,56,40	1,27,31	55,13	1,21,48
Supply Bills and Telegraphic Transfers	-	-	1,16,22	3,40 6 57,08	31 78 1,56,31	1,27,30 — 1	55,13	8,59
Other Transactions	-	-	—	—	—	—	—	—
Total	-	-	—	—	—	—	—	—
Issues—								
Remittances	-	-	—	—	—	—	—	—
Supply Bills and Telegraphic Transfers	-	-	—	—	—	—	—	—
Other Transactions	-	-	—	—	—	—	—	—
Total	-	-	—	—	—	—	—	—

## APPENDIX XLVI.

PAPERS RELATING TO THE RECEIPT BY THE GOVERNMENT OF INDIA OF GOLD OTHER THAN BRITISH GOLD COIN, HANDED IN BY MR. L. ABRAHAMS, C.B ASSISTANT UNDER SECRETARY OF STATE FOR INDIA.

## No. 1.

Notification of the Government of India, No. 2,662 (Finance and Commerce), dated 26th June 1893.

The Governor-General in Council hereby announces that, until further orders, gold coins and gold bullion will be received by the mint masters of the Calcutta and Bombay Mints respectively in exchange for Government rupees, at the rate of 7·53344 grains troy of fine gold for one rupee, on the following conditions :—

- (1.) Such coin or bullion must be fit for coinage.
- (2.) The quantity tendered at one time must not be less than 50 tolas.
- (3.) A charge of one-fourth per mille will be made on all gold coin or bullion which is melted or cut so as to render the same fit for receipt into the mint.
- (4.) The mint master, on receipt of gold coin or bullion into the mint, shall grant to the proprietor a receipt which shall entitle him to a certificate from the mint and assay masters for the amount of rupees to be given in exchange for such coin or bullion payable at the General (Reserve) Treasury, Calcutta or Bombay. Such certificates shall be payable at the General Treasury after such lapse of time from the issue thereof as the Comptroller-General may fix from time to time.

## No. 2.

Notification of the Government of India, No. 2,664 (Finance and Commerce), dated 26th June 1893.

In exercise of the powers conferred by the Indian Paper Currency Act, 1882, as amended by the Indian Coinage and Paper Currency Act, 1893, and of all other powers enabling him in this behalf, the Governor-General in Council is pleased to direct that currency notes shall be issued by the Head Commissioner of Paper Currency, Calcutta, and by the Commissioner of Paper Currency, Bombay, on the requisition of the Comptroller-General, in exchange for gold coin or gold bullion, at the rate of one Government rupee for 7·53344 grains troy of fine gold. Sovereigns and half-sovereigns of current weight coined at any authorised Royal Mint in England or Australia shall be taken as the equivalent of fifteen rupees and of seven rupees and eight annas respectively.

## No. 3.

Letter from Government of India to the Secretary of State, No. 199, dated 8th June 1893.

My Lord,

Your Lordship is aware that, following on the closure of the mints to the receipt of silver from the public for coinage, we announced that we were

ready to receive gold from the public at a certain rate and on certain conditions. The announcement was made in the Notification in the Finance Department, No. 2662, dated the 26th June 1893, copy of which was forwarded to your Lordship with our Despatch No. 49 (Financial), dated the 17th February 1897. Under this Notification the gold tendered must be fit for coinage, and, in accordance with instructions issued by us, this condition is not considered to be satisfied if the gold is, on the average of the whole tender, of a lower fineness than 916·6 per mille, or if it is brittle.

2. It has been represented to us that the existence of the condition that the gold must be fit for coinage prevents the tender at our mints of the gold produced in the South Indian mines, which is, on an average, of a fineness approximating to 900 per mille. We have been aware that, with the rise of the rate of exchange to the level of 1s. 4d., the agents of the mines have had under their consideration for some time past the expediency of tendering their gold at the mints and so relieving themselves of the trouble and expense involved in shipping it to England. We have now been formally addressed on the subject by Messrs. Best & Co. of Madras, who are the agents in India of the principal gold mines in Madras and Mysore, and we enclose copy of their letter. The firm request us to make an exception to our rules in the case of the Indian gold mines and to allow the gold from the mines to be accepted in the state in which it is now shipped to London.

3. It is possible that the companies may think it worth their while to refine the gold themselves, when the progress of time gives them confidence that the measures taken by the Government of India will have the effect of keeping the rate of exchange permanently steady at 1s. 4d. the rupee. Or it may be found more advantageous in the future, if refining is to be undertaken in this country, that it should be carried on at the Government Mints, and in this connection we now have the question of refining at the Bombay Mint under our consideration.

4. In the meantime if we decline to make any exception to the rules we have laid down, it seems clear that we cannot expect, at least for some time, that any portion of the gold produced in India will be tendered to us. We cannot reconcile ourselves to accept this prospect, for it is important that we should continue to accumulate as large a stock of gold as we can obtain, and with this object in view we ought to endeavour, if we can do so by any reasonable concession, to secure the tender at our mints of gold valued at about a million-and-a-half sterling annually which is now shipped to England from Bombay.

5. In our opinion it will be wise, in the case of gold produced at the Indian gold mines, to waive the condition that gold tendered must be fit for coinage, and to accept the gold in the condition in which it is now shipped. The Notification of 1893 was framed in view to the coinage of gold in India, and as there are no refineries in this country, and it was considered that the mints could not do such work, it was decided to require that gold should be accepted only if it was fit for coinage. It seems to us, however, unnecessary to maintain the restriction in regard to the gold of the Indian mines, and we do not see any sufficient reason for rejecting the gold which the Mining Companies would like to offer us. This gold, we may explain, though not fit to coin until it has been refined, is gold of a definite character, with a definite value determined by assay, and is as marketable a commodity as standard bars or (practically), as sovereigns. We should propose to take the gold and place it in the currency reserve, using it if and when necessary for shipment to London in the season of the year when the demand for Council Bills is reduced, until the time arrived when we could begin refining operations in view to coinage in our mints.

6. We trust that in these circumstances Your Lordship will approve our proposal to inform the Companies that we shall be prepared to accept their

gold in the condition in which they prepare it for shipment to England, and we should be glad, if Your Lordship concurs, to learn the acceptance of our proposal by telegram.

We have, &c., (Signed)	CURZON OF KEDLESTON. W. S. A. LOCKHART. E. H. H. COLLEN. C. M. RIVAZ. C. E. DAWKINS. T. RALEIGH.
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Enclosures to Despatch No. 199 of 1899.

No. G.L.B. 1—265, dated 25th May 1899.

From Messrs. Best and Co., Madras, to the Secretary to the Government of India, Finance and Commerce Department.

We are informed that the expressions "fit for coinage" and "unfit for coinage" used in the notification of your Department No. 2662, dated the 26th June 1893, and the rules laid down for the receipt of gold bullion and coin have been subject to some misinterpretation, and that, as a consequence, it has been directed that it should be understood that gold is to be rejected as not fit for coinage—

- (a) if the gold tendered is, on the average of the whole tender, of a lower fineness than 916·6 per mille;
- (b) if it is brittle; or
- (c) if in the opinion of the Mint or Assay Masters the gold is unsuitable for coinage from any other cause.

We are the agents in India of all the principal gold mines in this Presidency, and in view of the possible introduction of a gold standard for India, we wish to know if Government are prepared to make any modification in the rules under which gold may be tendered at the mints which will allow of the production of the Kolar gold field being accepted in the state it is now shipped to London.

For the information of the Government of India we have the honour to enclose—

- (1) a return to the 31st December last showing the total production of the four principal mines from the commencement of milling, and
- (2) a return of last year's production.

From these returns it will be noted that the average fineness of the bar gold produced is slightly over 900 milliemes, and its market value, based on an experience of fifteen years at an exchange of one shilling and four pence to the rupee, almost absolutely identical with the rate at which gold is now received by the mints, of one rupee for every 7·53344 grains fine.

In addition to being below standard fineness; the gold is liable to rejection on account of its being "unfit for coinage" by reason of the presence of silver and a certain percentage of the rarer metals. The cost of refining, however, is fully met by the value of the "partings" obtained, and we have therefore the honor to request that an exception may be made in the case of the production of the Kolar gold mines and the gold permitted to be received by the mints in the state it is now shipped to London.

Further, it would be a convenience if the gold could be tendered in Madras, and we have therefore the honour to request, if the Government of India are prepared to modify their rules, special arrangements may be made for its acceptance here.

Total returns from commencement of milling to 31st December 1898.

Mine,	Tons quartz crushed.	Tons tailings treated.	Ounces, bar gold, from quartz and tailings.	Average fineness of bar gold in millieemes.	Ounces, standard gold.	Amount realised.	Average rate obtained per ounce, standard.
Mysore	598,526	461,200	876,550	920·3	880,633·682	3,424,888 1 5	£ s. d. 3 17 10·02
Champion†	343,474	203,744	475,939	896·6	465,530·288	1,812,822·11 1	3 17 10·58
Ooregum	399,315	*	524,348	882·6	504,943·566	1,966,730 8 1	3 17 10·97
Nundydroog	264,178	116,676	324,383	880·2	311,469·816	1,214,264 1 9	3 17 11·64
	1,802,803	781,620	2,201,220	900·5	2,161,877·352	8,418,705 2 4	3 17 10·51

\* Not shown in annual report.

† Return to 30th September 1898.

Returns for year ended 31st December 1898.

Mine,	Tons quartz crushed.	Tons tailings treated.	Ounces, bar gold, from quartz and tailings.	Average fineness of bar gold.	Ounces, standard gold.	Amount realised.	Average rate obtained per ounce, standard.
Mysore	87,155	63,860	159,374	921·2	160,165·639	623,269 13 10	£ s. d. 3 17 9·94
Champion‡	89,271	101,963	185,412	890·9	131,609·826	512,708 4 5	3 17 10·96
Ooregum	67,942	55,076	52,585	879·9	50,478·001	196,600 2 11	3 17 10·75
Nundydroog	37,980	44,898	41,534	884·6	40,080·182	156,196 9 0	3 17 11·28
	282,298	265,797	388,905	901·2	382,333·048	1,488,774 10 2	3 17 10·54

‡ For year ending 30th September 1898.

#### No. 4.

Despatch from Secretary of State to the Government of India, No. 134,  
dated 13th July 1899.

My Lord,

Having considered in Council the proposal made in your Excellency's letter, dated the 8th of June, No. 199, that you should accept gold raised from the Indian Gold Mines, and place it in your Currency Reserve, notwithstanding the fact that, owing to want of sufficient fineness, it is not in

§ *Secretary of State to Viceroy, Simla.*

Your Financial Despatch, No. 199, 8th June. Gold Mining Companies. Proposal sanctioned.

a condition fit for coinage, I signified to your Excellency my approval of the proposal in a telegram dated the 11th instant, as noted in the margin. §

I have, &c.,

GEORGE HAMILTON.

#### No. 5.

Notification of the Government of India, No. 3,218A (Accounts and Finance), dated 14th July 1899.

No. 3,218A.—In modification of Notification No. 2,662, dated the 26th June 1893, the Governor-General in Council is pleased to remove, as regards gold produced at the Indian mines and tendered at the Bombay Mint by the agents of the mining companies, the restriction that it shall be fit for coinage, and to direct that it shall be received at the Mint in the condition in which it has hitherto been shipped for export.

**No. 6.**

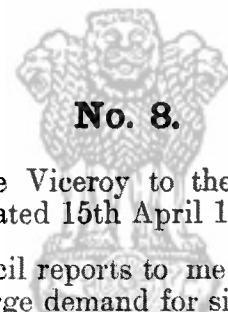
Telegram from the Secretary of State to the Viceroy,  
dated 18th January 1900.

In your Financial Despatch No. 199, dated 8th June 1899, mention is made of question whether Bombay Mint can undertake refining. I understand that when Indian Gold Mining Companies tender gold, Bombay Mint declines to pay additional sum for silver necessarily included. It has been represented to me that if refusal is maintained gold will be sent to England. Can you arrange so as to prevent this?

**No. 7.**

Telegram from Viceroy to Secretary of State, dated  
3rd February 1900.

Your telegram of 18th January. Gold tendered by Gold Mining Companies. Our present arrangement is to make no refining charge, and to pay the value of the fine gold only. The Companies' Agents in India are satisfied with this, and we think it the most convenient arrangement; but we are prepared to consider any proposals the Companies may make for paying them the value of the silver also, and imposing an adequate refining charge.

**No. 8.**

Telegram from the Viceroy to the Secretary of State,  
dated 15th April 1900.

Finance Member of Council reports to me that owing to the continued accumulation of gold, and large demand for silver, very serious situation has arisen. Comptroller-General has not merely been obliged to refuse special silver demands in Calcutta, but has found his rupee currency insufficient to meet general public demands. Unpleasant instances have also been reported from provinces, as result of carefully pressing gold and notes on public, effect being to aggravate popular distrust and to increase demand for rupees. Treasury cash balance on 31st March is less than estimated by 52 lakhs. Finance Member of Council considers it absolutely necessary to take steps to relieve the present crisis. Coinage of silver already bought or on its way will be undertaken with all possible speed, and it is proposed to purchase additional 500,000*l.* of silver for similar use. These steps, however, will take time, and furnish no remedy for immediate trouble. The Finance Member of Council proposes to check demand to some extent by refusing to accept Japanese gold yens at Mint, and inasmuch as entire situation results from official undertaking to give 15 rupees for every sovereign tendered at Mint, and at Reserve Treasury, he proposes to withdraw this undertaking, giving reasonable notice in both cases. To the objections that such a step would savour of a reversal of policy, and that, if it be taken, and if sale of Council Bills continues to be restricted, Banks will be hampered by want of means of remittance, and trade will be seriously checked, he replies that the trade slack season is coming; that, though difficulty may be temporary, he cannot accept responsibility of acting on that supposition when credit of country is at stake. That he sees no reversal or failure of policy in declining to oblige public by giving silver for gold, so long as we are in a position to give gold for silver; but that credit must disappear if we are even temporarily unable to meet our financial obligations as regards cash notes. Being at a great distance, on tour, I am unable to appraise gravity of the crisis, or to consult directly with Finance Member of Council; but at his desire I submit proposals for your approval.

**No. 9.**

Telegram from Secretary of State to Viceroy, dated 18th April 1900.

Your telegram of the 15th. Currency. I consider proposed measure undesirable, and hope you will consider very carefully before adopting it; but if you are finally convinced that pressure is really urgent, and that you cannot await coinage of more rupees, I will not withhold sanction. If you decide to act you should notify that, until more rupees can be coined, it is requisite to withdraw promise given in 1897, that till further notice rupees will be issued from Reserve Treasuries in exchange for sovereigns. You would continue to act under Notification of 1893, under which gold is received against Mint Certificates, Comptroller-General extending, if necessary, period after which such certificates would be payable. Better not discriminate against the yens. All gold coins other than sovereigns and half-sovereigns should be taken as bullion. As to your proposal to give reasonable notice, action should be prompt, since otherwise in a few days a great drain of rupees for gold must be expected. Do you wish me to buy more silver?

**No. 10.**

Telegram from Viceroy to Secretary of State, dated 30th April 1900.

Situation continues critical, though Comptroller-General has not again been obliged to refuse rupees for notes. In North-West Provinces sovereigns are reported to have been at discount of three annas, four annas, currency notes of seven annas per cent. Total rupee balance of Currency Department amounts only to 406 lakhs, as compared with estimated requirements in paragraph 6, Despatch No. 421, of 14th December last. Since objections are entertained to refusal of silver in exchange for gold, we propose to place following restrictions upon influx of gold:—

1. Until opening of Gold Mint, decline to receive gold coins or bullion below standard fineness, as being unfit for coinage within the meaning of Notification of June 1893; but continue to accept bullion of Indian production and foreign consignments already shipped. This will exclude yens, which are under standard fineness, and which we are under no permanent obligation to receive. (See Proceedings No. 640 of November 1899.) They continue to flow in. Total value received to 15th April, 249 lakhs; since that date 76 lakhs received or shipped.
2. Substitute payment at 60 days for immediate payment of certificates, under Notification No. 2662 of 26th June 1893.

We also propose to continue purchase and coinage of silver until present difficulties have disappeared, and shall shortly address you upon the investment of profit upon coinage of silver as a reserve fund, to assist in withdrawal of rupees, should these become redundant. (*Vide* paragraph 60 of Currency Committee's Report.)

**No. 11.**

Telegram from Viceroy to Secretary of State, dated 2nd May 1900.

Our telegram of 30th April. Currency. Please note that of the 406 lakhs mentioned as rupee balance of Currency Department, 237 lakhs are in Currency chest.

**No. 12.**

Telegram from Secretary of State to Viceroy, Simla, dated 4th May 1900.

Your cypher telegram of 30th April., Currency. I agree to your proposals.

**No. 13.**

Telegram from the Secretary to the Government of India, Finance and Commerce Department, to the Comptroller-General, dated 6th May 1900.

Please communicate to the Mint Masters and the Banks interested the following orders which will be subject to reconsideration when the Royal Proclamation establishing Gold Mint at Bombay issues :—

In the first place, the first condition of Notification No. 2662 of 26th June 1893, that gold must be fit for coinage, should be enforced, and gold should be rejected which is under standard fineness. Japanese gold yens, whose fineness is only 900, and other similar coins will accordingly be rejected in future. To this order there will be the following two exceptions :—First, the gold produce of the Indian mines will continue to be received under Notification No. 3218 of 14th July 1899; second, with reference to letter No. 4899 of 26th October 1899, Japanese gold yens and similar coins which are proved to have been shipped for India before 1st May will be received.

In the second place, you should, under the last sentence of the fourth condition of Notification No. 2662 of 26th June 1893, substitute for your existing order authorising immediate payment of the certificates a new order fixing 60 days.

**No. 14.**

Telegram from Secretary of State to Viceroy, dated 21st June 1900.

Kolar Gold Mines complain that refusal to pay for gold tendered under 60 days from assay is inconsistent with pressure put on them to send to Mint all gold output during the year. If refusal is maintained they must cancel arrangements, which they took trouble to make at request of Government of India, and must ship gold to England. What are the facts? Can arrangements be made to meet difficulty?

**No. 15.**

Telegram from Viceroy to Secretary of State, dated 2nd July 1900.

Your telegram of the 21st ultimo. Indian Gold. No pressure was put on Mines to send their gold to us. We know of no arrangement made at our request. Despatch follows.

**No. 16.**

Telegram from Secretary of State to Viceroy, dated 5th July 1900.

Your telegram 2nd July. Indian Gold. Word "pressure" in my telegram of 21st June was used by me to describe shortly action recited by Companies, and was perhaps too strong. What Companies said was your Government manifested greatest desire to have their gold sent to Mint, and made important concessions to ensure this. As difficulty seems only temporary, till sufficient rupees are coined can you arrange so as to avoid forcing Companies to send output to England? Please reply as soon as possible.

**No. 17.**

Telegram from the Viceroy to the Secretary of State, dated 7th July 1900.

Your telegram of the 5th July. Indian Gold. We were certainly glad last year to receive Indian gold, and accordingly, when Companies themselves approached us agreed to concession in Notification 3218, dated 14th July 1899, *vide* Accounts Proceedings July 1899, Nos. 510-517. Subsequently

the Companies asked for payment at Calcutta, Madras, or Bombay, at the option of the Company. We considered Companies' expectations were becoming unreasonable, but agreed to part payment at Madras, subject to Companies definitely engaging to tender gold for the whole 1900, a condition necessary to enable us to arrange for Madras payment. We began to act on this offer provisionally. Companies, after much delay, refused to guarantee deliveries beyond end of June, whereupon we terminated provisional agreement with effect from 1st May. Refusal of Companies to make out definite arrangements, and threats in correspondence to send gold home, show that no special arrangements, which must now be reversed, were made on the strength of our concessions. We cannot use gold bullion in India until coinage at Bombay begins. Until that is authorised, it is inexpedient to accumulate further bullion, whether Indian or Foreign, therefore we are strongly opposed to further concession.

### No. 18.

Letter from the Government of India to the Secretary of State for India,  
No. 229, dated 12th July 1900.

My Lord,

We have the honour to acknowledge the receipt of your Lordship's telegrams of the 21st June and the 5th July in which your Lordship asked us in effect if we could not make arrangements for the continued receipt at our Mints of the produce of the Indian gold mines, and modify our recent orders which are considered to practically compel the mines to send their output to England.

2. We have already informed your Lordship by our telegrams of the 2nd and 7th instant that we are strongly opposed to the grant of further concessions to the mines. We have not yet received the text of the representation submitted to your Lordship, and therefore cannot say exactly how far the attitude of the Government of India towards the mines has been correctly or incorrectly described. We gather from your Lordship's telegraphic summary that the mines allege that, on the strength of the concessions we allowed to them, they have made arrangements which it would now be inconvenient to reverse, and that the encouragement we gave them to send their gold to us was so exceptional as to amount almost to insistence or pressure. We consider that such allegations or anything approaching to such a statement of the facts would be devoid of foundation.

3. Under our Notification No. 2662, dated 26th June 1893, gold bullion will not be received at our mints unless "fit for coinage." Indian gold being below standard fineness is not "fit for coinage," and consequently till the issue of our Notification No. 3218-A, dated 14th July 1899, which removed this restriction, Indian gold could not be received at the mints. The concession allowed by this Notification was confined to the produce of the Indian mines and was so far exceptional. But neither its character nor the circumstances under which it was allowed justify the inference that we were prepared to go to any length to secure this gold. We made no advances to the mines. They asked for this concession, of their own motion, in Messrs. Best & Co.'s

\* Vide A. Proceedings Accounts, July letter No. 265,\* dated 25th May 1899, 1899, Nos. 510-517. and we considered it reasonable to accede to their request. We were glad to get the gold at the time, as we had not then received the large stock of other gold we have since accumulated, and in the absence of gold of standard fineness the Indian gold could be used to supply its place. We were glad also to give some encouragement to a local industry.

4. In the same letter Messrs. Best & Co. asked to be allowed to tender their gold at Madras where it is produced instead of at Bombay where our Mint

is situated, and where the gold had hitherto been sent for shipment. We considered this request unreasonable and rejected it.

5. More than five months elapsed before the mines took advantage of the Notification of the 14th July 1899. We took no steps to hasten their decision.

6. On the 5th January 1900, Mr. Lynn of Messrs. Best & Co., telegraphed :—

“First delivery Kolar gold will be made about 7th on understanding payment at par will be made this and future deliveries Calcutta, Bombay or Madras at our option. Please confirm by urgent wire.”

And in a letter of the 8th January Mr. Lynn explained : We wish to receive payment for the gold at par at all or any of the Government Treasuries, so that our hands may not be tied to one market in making remittances home.”

7. We could not agree to make any payments at Calcutta, as we have to meet heavy demands on our balances there. Sufficient balances are collected at Madras to render a definite and fairly permanent arrangement for payment there convenient to us. But we obviously could not give an unrestricted option, thus exposing our treasuries to unexpected demands, one month at Bombay and another at Madras, while perhaps in a third month the gold would not be tendered to us at all. Nor were we disposed to give Messrs. Best & Co. the facilities for operating on the internal exchanges which an unrestricted option as regards place of payment would have supplied. We therefore telegraphed as follows on the 15th January :—

“Government cannot make payment at Calcutta at all, but are prepared to give the option to be exercised once a year of receiving payment for all tenders in the year either wholly at Madras or wholly at Bombay or of receiving at Madras half or any other proportion that may be named for the year and the remainder at Bombay for all tenders. Please telegraph which of these alternatives you accept for the year 1900.”

The mines agreed to receive eight lakhs monthly at Madras for four months certain, adding “remaining eight months not yet settled, but permanent continuance practically certain.” On this we decided to act provisionally on the offer in our telegram of 15th January, and replied to Mr. Lynn in a telegram of 25th January 1900: “Arrangement accepted. . . . The arrangement will be in force during calendar year 1900.” Messrs. Best & Co. neither took exception to this last sentence nor confirmed it. They ignored the stipulation for a one year’s agreement in subsequent correspondence during January and February, their first reference to a continuance of tenders beyond the first four months of 1900 being contained in a letter of 7th March 1900. In this letter they requested that “some arrangement “may be made whereby the value of the silver found in the gold may be “allowed for,” suggested a refining charge of  $\frac{1}{6}$  per cent. and the return of the silver, and explained that “if when exchange rules below 1s. 4d. we “can rely on getting the gold refined and the gold and silver handed back to “us, the former in bars of suitable size and fineness for sale in the bazaar, we “feel confident that deliveries of Kolar gold will continue to be made.” Meanwhile, in a letter of the 20th February 1900, they had already attempted to have the provisional arrangement modified in their favour by asking for an increase of the Madras payments by Rs. 30,000 per mensem, the produce of another mine. This request we refused.

8. Replying on the 30th March to Messrs. Best & Co.’s letter of the 7th March, we said that the question of establishing a refinery was still undecided, and that a refining charge of  $\frac{1}{6}$  per cent. (with the return of the silver) would probably be inadequate. We also incidentally reminded the agents of “the agreement which has been made with you that you will “deliver throughout the calendar year 1900, the produce of the Kolar Mines “at the Bombay Mint, and that the Government will make payment of eight

" lakhs monthly in Madras and the balance in Bombay." To this Messrs. Best & Co. replied on the 5th April—

" We would point out that the arrangement was made for four months  
" certain only, and the continuance of deliveries from May onwards is  
" subject to further consideration."

A further telegram from us elicited the reply that " deliveries of gold will continue to end June certainly." It appeared to us to be time that some finality was reached in our negotiations with a firm which conducted business on these lines, and on the 26th April we telegraphed—

" We cannot agree to the question being allowed to stand over any longer.  
Unless you agree before the end of this month to send the monthly output of gold to the Mint throughout the calendar year 1900, our agreement to make part payment at Madras will cease from the 1st of May."

Messrs. Best & Co. had by this time had a period of three months during which to consult their principals. But a further reference to England was required which only elicited the inconclusive reply "cannot guarantee deliveries beyond end June, but anticipate continuation." This was communicated to us on the 29th April, and on the 1st May we telegraphed to Messrs. Best & Co. that, as they had not accepted our conditions, payment for gold tendered under the Notification of 14th July 1899 would in future be made wholly at Bombay. This left us free to defer payments to tenderers of Indian gold as well as payments to other tenderers, and the Indian mines consequently came within the scope of the orders which we issued a few days later directing that deferred instead of immediate payment should be made for all gold bullion tendered at our Mints.

9. We need only briefly refer to the later correspondence. It has been implied that it will cause the mines inconvenience to restore their previous arrangements for sending gold to England. We think this is disproved by the fact that the mines refused to commit themselves to a definite arrangement, and that at the end of April they were still contemplating the possibility of sending their gold to England from the beginning of July. But we may mention in confirmation of this view that on the 27th April Messrs. Best & Co., in acknowledging the receipt of our telegram of the 26th April, wrote—

" We are unable to give you the assurance required and coupled with your refusal to pay for silver and the present low level of exchange, it is not at all improbable that shipping to London will be again resorted to."

Again, in acknowledging the receipt of our telegram of the 1st May, Messrs. Best & Co. wrote on the 2nd May—

" We have passed on the contents to London, but until the stability of exchange is assured, we fail to see how the directors can, in the interest of the shareholders, give the guarantee asked for."

It is obvious from the representations made to Your Lordship in England that Messrs. Best & Co. were misinformed in assuming that their principals were indifferent in regard to the destination of the gold, as they have been throughout in supposing that the Government of India were eager that it should be tendered at the Mints. But we cannot suppose that the Indian agents of the mines were left without information as to the arrangements made for the disposal of the gold, and if the renewal of shipments to England is an operation which will cause serious inconvenience, it would have been impossible for the agents to write as if it might be advisable in any case for the gold to be again sent to England.

10. We have throughout been willing for the sake of the mines to offer reasonable concessions. We have at no time, even when desiring in the interests of Government to receive the gold, shown a readiness to be coerced into the grant of concessions which were in themselves unreasonable. The position has now changed. The heavy demands on our cash balances arising chiefly from famine have all to be met in rupees, while the accumulation of

gold in our currency reserve, though the pressure has been materially relieved by recent heavy coinage, continues to make the maintenance of the convertibility of the note issue a matter of difficulty and anxiety. We have for the present abundance of coined gold to send to England if required, and there must still be much delay before the Branch Mint can be established at Bombay and refining operations commenced. Under these circumstances we are unwilling for some time to renew the inducements originally offered for the tender of gold bullion at our Mints; and we see no advantage in discriminating in favour of gold bullion produced in India, and conceive that we are under no obligation to so discriminate. We hope at some future time to resort again to immediate payments both for imported and for Indian bullion. We shall then again consider, if the mines approach us on the subject, whether we can renew the offer of part payment at Madras. But if the offer should be renewed, a question which will depend upon the circumstances of the time, it should, we consider, be renewed upon the conditions we laid down in January last, and should not be brought into effect till those conditions have been formally accepted.

We have, &c.,  
 (Signed) CURZON OF KEDLESTON.  
 " E. H. H. COLLEN.  
 " A. C. TREVOR.  
 " C. M. RIVAZ.  
 " T. RALEIGH.  
 " E. FG. LAW.

### No. 19.

Despatch from Secretary of State to the Government of India, No. 161  
 (Financial), dated 13th September 1900.

My Lord,

With reference to the telegraphic correspondence noted in the margin,\* respecting the receipt by your Government of the produce of the Indian Gold mines, and in reply to the Letter dated the 12th of July, No. 229, the transactions that had taken place between your Government and the agents of the Mining Companies, I forward, for your information, a copy of the correspondence† in this country with Messrs. John Taylor and Sons, and the Chartered Bank of India, Australia, and China, and the National Bank of India, on the subject.

- \* To Viceroy, dated 21st June 1900
- From ditto, dated 2nd July 1900.
- To ditto, dated 5th July 1900.
- From ditto, dated 7th July 1900.
- in which you explained at length
- † From Messrs. Taylor, dated 17th January 1900.
- From Chartered Bank, dated 18th January 1900.
- To Messrs. Taylor, Chartered Bank, and Mr. Dunlop Best, dated 9th February 1900.
- From Mr. Robert Campbell, dated 12th June 1900.
- From ditto, dated 18th June 1900.
- From Messrs. Taylor, dated 18th June 1900.
- To ditto, dated 23rd August 1900.
- From ditto, dated 27th August 1900.

I have, &c.,  
 GEORGE HAMILTON.

Enclosure No. 1 referred to in No. 19.

Sir,

6, Queen Street Place, London, E.C.,  
 17th January 1900.

#### *Re Sale of Gold to the Indian Mints.*

We beg to bring to your notice the following facts:—

We act as managers to the several Companies scheduled at foot hereof, whose mines are situated at Kolar in the State of Mysore.

We have recently, on behalf of these Companies, made an arrangement for the sale of the bar gold produced at the mines to the National Bank of India in Bombay.

The gold bars contain a certain quantity of silver, and the arrangement made was that the National Bank of India should pay the Mining Companies for both the gold and silver contents of the bars, on the basis of the assay certificates of the Bombay Mint. The first parcel of gold for sale under this arrangement was deposited in the Bombay Mint on or about the 10th instant. We have, however, received a cable communication from the Bank stating that the Bombay Mint will not assay for silver, that they cannot separate the silver from the gold, that they have no refinery, and that they will pay for gold only.

We beg respectfully to point out to you that, in consequence of this, the Companies referred to will, we fear, without your official intervention to the contrary, suffer considerable injury through losing the value of the silver contained in the gold bars.

The total value of the silver contained in the gold produced from the mines during the past twelve months amounted to nearly 5,000*l.* The returns for the current year are estimated to exceed that sum, and if the silver be lost to the Companies the former practice of shipping the gold to London will in all probability have to be reverted to.

In view of the foregoing, and pending the establishment by the Government of a refinery capable of extracting the silver, we beg that you will afford us the favour of your influence in the matter, and you would greatly assist us if you could see your way to cable to the Bombay Mint to in future ascertain by assay the proportion of silver contained in the gold, and to include the value thereof in the certificates to be rendered to the National Bank of India.

Tusting to receive a favourable reply.

The Secretary of State  
for India.

We are, &c.,  
JOHN TAYLOR AND SONS.

#### Schedule of Mining Companies.

- Balaghat Gold Mining Company, Limited.
- Champion Reef Gold Mining Company of India, Limited.
- Coromandel Gold Mining Company of India, Limited.
- Gold Fields of Mysore, Limited.
- Kempinkote Gold Field, Limited.
- Mysore Gold Mining Company, Limited.
- Mysore Reefs (Kangundy), Limited.
- Nine Reefs Company, Limited.
- Nundydroog Company, Limited.
- Ooregum Gold Mining Company of India, Limited.
- Oriental Gold Mining Company of India, Limited.
- Road Block Gold Mining Company, Limited.
- Yerrakonda Gold Mining Company, Limited.

Enclosure No. 2 referred to in No. 19.

Chartered Bank of India, Australia, and China,  
Hatton Court, Threadneedle Street,  
My Lord.

London, 18th January 1900.

I beg to inquire what are the conditions upon which gold can be tendered to the Bombay Mint, and what are the charges for refining gold as it is received from the Indian mines.

The Secretary of State  
for India.

I have, &c.,  
C. LEWIS, Manager.

Enclosure No. 3, referred to in No. 19.

F 524.  
Gentlemen,  
Sir,

India Office,  
9th February 1900.

With reference to—

Your letter of the 17th of January.

Your letter of the 18th of January.

Your conversation with the Financial Secretary at this Office,

respecting the question whether the gold produced at the Indian mines could be assayed at Bombay, I am directed by the Secretary of State for India to inform you that he has been in telegraphic communication with the Government of India on the subject.

The present arrangement is that no charge for refining is made, and that the value of the fine gold only is paid. Lord George Hamilton is informed that the Agents of the Mining Companies in India are satisfied with this plan, and the Government of India consider it to be the most convenient arrangement. If, however, the Companies desire to make any proposals for the payment to them of the value of the silver also, and the imposition of an adequate refining charge, the Government of India will take it into consideration.

I am, &c.,

A. GODLEY.

Messrs. John Taylor and Sons.  
The Manager of the Chartered Bank of  
India, Australia, and China.  
A. V. Dunlop Best, Esq.,  
National Bank of India.

Enclosure No. 4, referred to in No. 19.

National Bank of India, Limited,  
47, Threadneedle Street,  
12th June 1900.

Dear Sir,

I should be obliged if you could kindly allow Mr. Dunlop Best and myself the favour of an interview early next week, either on Monday at any hour most convenient to youself or any day thereafter, to afford us an opportunity of placing before you our views in regard to the conditions recently imposed by the Government of India on the receipt of the Kolar gold at the Bombay Mint.

Mr. Best is the senior of Messrs. Best & Co., Madras, who act as agents in India for the Kolar Companies on whose behalf he is authorised to speak.

We shall be pleased to wait on you at the India Office at any time you may appoint.

I am, &c.,  
ROBERT CAMPBELL,  
General Manager.

Sir Henry Waterfield, K.C.S.I., C.B.

Enclosure No. 5, referred to in No. 19.

National Bank of India, Limited,  
47, Threadneedle Street,  
18th June 1900.

Dear Sir,

Referring to our conversation on the 13th, I now enclose a letter addressed to Lord George Hamilton by Messrs. John Taylor and Sons, the London agents of the Kolar Gold Mining Companies, in regard to the terms on which payment is now made for the Kolar gold tendered to the Bombay Mint.

I may mention that 110,000*l.* worth of gold is now held over in Bombay pending the Government's decision; and as a further larger amount will be reaching Bombay in a few days, all of which will be shipped home or

tendered to the Mint according as the Government may decide, we venture to hope that it may be convenient to his Lordship to give the matter his early consideration.

Sir Henry Waterfield, K.C.S.I., C.B.

I am, &c.,

ROBERT CAMPBELL,  
General Manger.

Enclosure No. 6, referred to in No. 19.

6, Queen Street Place, London, E.C., -

My Lord,

18th June 1900.

We take the liberty of addressing you on behalf of the Kolar Gold Mining Companies, whose interests we represent, in regard to the change recently made by the Government of India in the terms of payment for the gold tendered by the Companies to the Bombay Mint.

Previous to December last the Companies had been in the habit of shipping their gold to London, but as the result of negotiations between their agents in India (Messrs. Best and Co., Madras) and the Indian Government, the Companies agreed to send their gold to the Mint in Bombay, under an arrangement come to between ourselves here and the National Bank of India.

Throughout the whole of these negotiations the Government manifested the greatest desire that the Companies should send their production to the Mint, and they made several important concessions in order to ensure this. Among others they agreed to transfer without charge eight lakhs of the proceeds monthly from Bombay to Madras, where the Companies' Indian expenditure lies, and these arrangements worked smoothly from December up to the end of April.

In the end of that month, however, the Government intimated that they would no longer remit any portion of the proceeds to Madras at par, unless the Companies undertook to send to the Mint their total output of gold up to the end of the present year. The Companies did not see their way to give an absolute pledge to that effect, although they stated that in all probability the gold would continue to be sent in. This, however, did not satisfy the Government, and the concession was withdrawn at the end of April.

The above clearly indicated the desire of the Government to secure the whole of the Indian gold for the Currency Department, and the Companies were consequently quite unprepared for the notification addressed to them only ten days afterwards, that the payment for their gold would till further notice be made by certificates due 60 days after assay. It is needless to point out the awkward position in which the Companies would have found themselves in face of such a notification, had they given the undertaking demanded of them by the Government only ten days before. The 60 days' term was afterwards modified to 30 days for the month of May, when the 60 days' rule was again reverted to, and that rule is now in force.

Should this method of paying for gold about 75 days after delivery be continued, the Companies will have no alternative but to cancel the arrangements they took a good deal of trouble to make to enable them to send their gold to the Indian Mint, and they must revert to their former practice of shipping it home, a practice which they may probably not be prepared again to depart from. In dealing here with imported gold the best terms can only be obtained from the refiners by customers who are in a position to send them gold regularly and not merely spasmodically, and after what has occurred the refiners may require some guarantee of continuity before replacing the Companies on the most favourable footing.

It seems scarcely consistent with the establishment of gold standard in India that gold sent to the Mint should only be accounted for two-and-a-half months after receipt. Such a rule would not be tolerated in this country for a day, and it would be impossible to exaggerate the alarm and indignation which such a proposal would excite.

We venture to submit that the Indian production of gold has a special claim to consideration at the hands of the Government. Unless driven out by measures such as we are now commenting on, Indian gold will remain in

the country to replenish the circulation, when the expense and loss of time might prevent imports from abroad, and it will hardly be disputed that it is better that the country's currency should be supplied from within itself than imported from outside. It appears, to say the least, a singular anomaly that gold produced in India should be penalised by harassing and oppressive conditions, while imports of English and Australian sovereigns are allowed to come in unhindered and are paid for immediately on delivery at the Mint.

We respectfully commend those remarks to your Lordship's consideration, in the hope that under the circumstances we have stated you may see fit to communicate with the Government of India, with a view of inducing them to reconsider their policy, and instruct the Bombay Mint to account for the Kolar gold as soon as it is assayed.

We are, &c.,  
JOHN TAYLOR AND SONS.

The Secretary of State for India.

Enclosure No. 7, referred to in No. 19.

F. 3786.  
Gentlemen,

India Office,  
23rd August 1900.

On the receipt of your letter of the 18th of June, respecting the terms of payment for gold tendered by the Kolar Gold Mining Companies to the Mint at Bombay, the Secretary of State telegraphed to the Viceroy on the subject; and His Excellency replied that a despatch would be sent, which has now been received.

The Government of India in May 1899 agreed to the arrangement proposed by Messrs. Best & Co. for the reception of the Indian gold, but felt themselves obliged to reject the proposal that the gold should be tendered at Madras. It was not until January 1900 that Messrs. Best & Co. availed themselves of the concession, and they then applied to be allowed to tender at any one of the three Presidency towns. Eventually they agreed to receive a payment of 8 lakhs monthly at Madras for four months certain, adding that the remaining eight months were "not yet settled, but permanent continuance practically certain." To this the Government of India replied that the arrangement was accepted, to be "in force during calendar year 1900." When, however, Messrs. Best & Co. were reminded on the 30th of March that an agreement had been made that they should deliver throughout that year the produce of the Kolar mines at the Bombay Mint, they pointed out "that the arrangement was made for four months certain only, and the "continuance of deliveries from May onwards is subject to further "consideration."

Being pressed for a definite arrangement, they, on the 29th of April, replied that they could not guarantee deliveries beyond June; and, therefore, on the 1st of May the Government informed them that payment for gold tendered under the Notification of the 14th of July 1899 would in future be made wholly at Bombay. Hence, when it became necessary shortly afterwards to defer payment for gold the produce of the Indian mines came under the same orders as were applicable to gold from other quarters.

Lord George Hamilton regrets that the measures which the Government of India was compelled to take, owing to the heavy demands for rupees arising from the famine and other causes, should have occasioned inconvenience to the owners of the Indian gold mines, as well as to other traders; and he trusts that it may not be long before the hope of the Government of India will be realised, that they may be in a position to resort again to immediate payment both for imported and for Indian gold bullion. In that case, the Government will be ready to consider applications regarding part of the payments being made at Madras.

Messrs. John Taylor and Sons.

I am, &c.,  
A. GODLEY.

Q 2

Enclosure No. 8, referred to in No. 19.

6, Queen's Street Place,  
London, E.C., 27th August 1900.

Sir,

We beg to thank you for your letter of the 23rd instant, the contents of which have been carefully noted by us, and we shall be interested to learn when the Government of India are in a position to again resort to immediate payment for gold tendered to the Mint at Bombay.

We are, &c.,

The Under Secretary of State  
for India.

JOHN TAYLOR AND SONS,

## No. 20.

Letter from the Government of India to the Secretary of State, No. 347,  
dated 27th September 1906.

Sir,

We have the honour to address you on the subject of the rules at present in force for the receipt of gold bullion at our mints.

2. In our notification No. 2662, dated the 26th June 1893, a copy of which was forwarded to your predecessor with the despatch of Lord Elgin's Government, No. 49 (Financial), dated 17th February 1897, we announced that we were ready to receive gold bullion from the public at a certain rate and under certain conditions, one of these being that the bullion must be fit for coinage. This condition was imposed as it was thought at the time that the mints would be unable to undertake refining operations. In 1899 however it was found that there would be no difficulty in refining the gold presented. We accordingly proposed in our Despatch No. 199, dated 8th June 1899, and Lord George Hamilton in his telegram dated the 11th July 1899 agreed, that the restriction that bullion presented should be fit for coinage might be removed in the case of gold produced at the Indian mines, and that such gold should be received at the mints in the condition in which it had hitherto been shipped for export. Effect was given to this decision in our notification No. 3218, dated 14th July 1899.

3. At the time when these notifications were issued we contemplated the possibility of eventually undertaking the coinage of gold in India, and the object of the latter notification was to attract to our mints the output of the Indian mines, which then amounted to about a million and a half sterling per annum. It was intended that such portion of this as might be received at our mints should be used for shipment to London to meet any deficiency in your Council bill sales, until the time arrived when we should be able to commence the refining and coinage of gold.

4. Circumstances have now changed. There is no longer any prospect of our undertaking, at any rate in the near future, the coinage of gold in India, and it will therefore be necessary to remit to England all the gold bullion that may be presented here. Under our present policy, however, we do not desire to accumulate gold in India for export to England but merely to hold such amount as may be required for use by the public. This should consequently be in the form not of bullion but of sovereigns. It may be added that the notification of 1899 has not resulted in any considerable portion of the Indian mines gold being presented at our mints, the receipts during the last five years being as follows:—

	£
1901-02	1,000
1902-03	<i>Nil.</i>
1903-04	19,000
1904-05	39,000
1905-06	44,000

5. We therefore propose, with your approval, to withdraw the notifications of 1893 and 1899 under which we expressed our willingness to accept gold bullion at our mints. It is our intention to give to the public reasonable notice before doing so, though, as the above figures show, any inconvenience that may be caused to the Indian mines by the change will be inconsiderable.

We have, &c.,

MINTO.

A. T. ARUNDEL.

DENZIL IBBETSON.

H. E. RICHARDS.

E. N. BAKER.

C. H. SCOTT.

C. L. TUPPER.

## No. 21.

Despatch from the Secretary of State to the Government of India, No. 124 (Financial), dated 2nd November 1906.

My Lord,

I have considered in Council your Letter in the Finance Department, No. 347, of 27th September 1906, in which you propose to withdraw, on giving reasonable notice beforehand, the offer made in Government of India Notification No. 2662, dated 26th June 1893, and extended by subsequent Notification No. 3218, dated 14th July 1899, to receive gold bullion, subject to certain conditions, at the Indian Mints.

2. You observe that the offer was made in view of the contingency then contemplated, of the coinage of gold being eventually undertaken in India, and that the object of the second Notification was to attract more especially the produce of the Indian mines, amounting then to about 1,500,000*l.* per annum.

3. It was also intended that gold so drawn to the Mints should be available for shipment to London to meet any deficiency in the sale of Council Bills.

4. The proposed coinage of gold at Bombay has, however, been abandoned,\*

\* Lord G. Hamilton's Financial Despatch, No. 25 of 1908, and previous correspondence.  
and the other considerations in view of which the Notifications of 1893 and 1899 were issued have, as you point out, ceased to be operative; moreover, the Notifications have failed to attract any considerable portion of the output of the Indian mines to the Mints. I therefore approve your proposal to withdraw those Notifications.

I have, &c.,

JOHN MORLEY.

## No. 22.

Notification of the Government of India, No. 6908a, dated 11th December 1906.

*Receipt by the Mints of Calcutta and Bombay of Sovereigns and Half-Sovereigns only.*

In supersession of the notifications by the Government of India in the Financial Department, No. 2662, dated the 26th June 1893, and No. 3218a, dated the 14th July 1899, which are hereby cancelled, the Governor-General in Council is pleased to direct that, with effect from 1st April 1907, gold bullion and gold coins, other than sovereigns and half-sovereigns, will not be received by the Mint Masters of the Calcutta and the Bombay Mints.

## No. 23.

## Gold, other than British Gold Coin, held by the Government of India at the end of each year from 1900-01 to 1908-09.

Note:—Before 1900-01 the Paper Currency Reports do not show what part of the total gold held by the Government of India was in a form other than that of British Gold Coin; but the amount received in that form before 1900-01 appears to have been 5,349,912.4*l.* (viz.:—4,450,007*l.* sent to England in 1900-01, as shown below, and 899,904.5*l.* held by the Government at the end of that year).

Year.	Japanese Yen.	Other coin.	Bullion.	Total.	Remarks.
1900-01	732,021.9	£ 12,211.1	£ 145,671.5 <sup>(1)</sup>	899,904.5	During the year 1,621,137.4 <i>l.</i> Japanese Yen, 763,332.9 <i>l.</i> Indian Mines Gold, 1,981,494.6 <i>l.</i> Bazar gold, and 84,043.0 <i>l.</i> bar gold were shipped to England.
1901-02	—	—	103,175.9 <sup>(2)</sup>	103,175.9	During the year 229,787 <i>l.</i> Japanese Yen, 12,210 <i>l.</i> other coin, 74,510 <i>l.</i> Bazar gold, 572,097 <i>l.</i> bar gold, and 2,817 <i>l.</i> other bullion were shipped to England.
1902-03	—	—	81,300.9 <sup>(3)</sup>	81,300.9	During the year 102,614 <i>l.</i> bullion was shipped to England.
1903-04	—	—	4,940.2 <sup>(4)</sup>	4,940.2	During the year 8,095 <i>l.</i> Indian mines gold and 84,039 <i>l.</i> Bazar gold were shipped to England.
1904-05	—	—	8,415.9 <sup>(5)</sup>	8,415.9	During the year 35,914 <i>l.</i> bullion was shipped to England.
1905-06	—	—	12,709.9 <sup>(4)</sup>	12,709.9	During the year 44,806 <i>l.</i> bullion was shipped to England.
1906-07	—	—	25,204.7 <sup>(4)</sup>	25,204.7	
1907-08	—	—	25,204.7 <sup>(4)</sup>	25,204.7	
1908-09	—	—	—	—	During the year 25,205 <i>l.</i> bullion was shipped to England.

(<sup>1</sup>) Including 1,291.4*l.* Mysore Mines gold and 74,506*l.* Bazar gold, &c.

(<sup>2</sup>) Including 1,145.1*l.* Indian Mines gold, and 102,030.8*l.* Bazar gold, &c.

(<sup>3</sup>) Bazar gold.

(<sup>4</sup>) Indian mines gold.

## APPENDIX XLVII.

**NOTE ON SOME FEATURES IN THE INDIAN TRADE AND CURRENCY FIGURES  
FOR THE FIRST TEN MONTHS OF THE YEAR 1913, HANDED IN BY,  
MR. F. W. NEWMARCH, C.S.I., FINANCIAL SECRETARY AT THE INDIA OFFICE.**

The figures of Indian trade and currency for the first 10 months of 1913 present several interesting features, the principal of which may be briefly summarised as follows :—

- (1) A large decrease in the trade balance in favour of India, causing
- (2) a reduced demand, during several months, for Council drafts, and
- (3) greatly reduced imports of sovereigns.
- (4) As a result of (3) a great diminution in the quantity of imported sovereigns passing into the Paper Currency Reserve. This has been accompanied by
- (5) greatly increased gross issues of sovereigns from the reserve, but also by
- (6) a still greater proportionate increase in the return of sovereigns from internal circulation.

Tables illustrating these various changes are appended. The following remarks may be added.

*I.—Decrease in the Balance of Trade in India's favour.*

This has been due, not to any appreciable falling off in the amount of India's export of merchandise, the value of which for the first 10 months of 1913 fell below that for the corresponding period of 1912, by only 144,000*l.*, but mainly to a very great growth in the amount of the imports.

The reduction in the value of net exports for that period has been no less than 15,673,423*l.*

The marked growth of India's imports of commodities appears to be the natural consequence of a succession of years of prosperity.

*II.—Reduced Imports of (a) Council Drafts, and (b) Sovereigns.*

A reduced demand for Council drafts began to show itself in January 1913 and became more marked as the year advanced. For seven weeks in June–August the amount offered for tender on each Wednesday was only 20 lakhs, as against 50 offered weekly during the same period of 1912, and minimum prices of 1*s.* 3½*d.* for bills, and 1*s.* 3½*d.* for telegraphic transfers were accepted during several weeks as compared with minima of 1*s.* 4*d.* and 1*s.* 4½*d.*, respectively, in the same weeks of 1912. From the beginning of August, however, the demand revived rapidly, and from the beginning of September onwards both the amounts sold and the prices obtained were higher than in 1912. In October the amount offered on five successive Wednesdays was 120 lakhs, and the total amount sold in the month reached the altogether unprecedented figure for the time of year of 619 lakhs, realising an average price of 1*s.* 4½*d.* per rupee. The demand slackened, however, somewhat towards the end of the month.

The extraordinary demand for Council drafts this autumn was due mainly to the very high prices ruling for the season's jute crop.

Monetary difficulties in Bombay and other parts of India no doubt contributed somewhat to enhance the demand for remittance, and the fact that it occurred at a time of year when Egypt had no sovereigns to spare for export, but on the contrary was importing large quantities, while Australia also had little to spare, rendered the competition for the Secretary of State's drafts all the keener. The total receipts from the sale of bills and transfers were 14,413,861*l.* from 1st April to 31st October and 22,623,835*l.*\* from 1st January to 31st October 1913, as compared with 12,161,064*l.* and 22,800,470*l.*\* for the corresponding periods in 1912, and

\* These figures do not correspond with those given in the tables attached to this note. The value of the Secretary of State's bills and transfers imported into India in any month never corresponds with the amount received by the Secretary of State for bills, &c., sold by him in the same month, mainly because a varying amount of bills paid for in London in the latter part of one month are not received in India until the following month.

the average rates realised, for the seven months and ten months respectively, were 1s. 4·067d. and 1s. 4·063d. for the two periods, as compared with rates of 1s. 4·047d. and 1s. 4·083d. realised in 1912.

Imports of sovereigns into India in the first 10 months of 1913 were smaller by 11,391,652l. than in the corresponding period of 1912. Imports from Egypt continued on a moderate scale until June, in spite of the low rates at which Council bills were being sold.

*III.—Paper Currency Reserve; decrease in receipts of sovereigns from abroad; increase in receipts from internal circulation; increase in gross issues.*

As a result of the great diminution in the imports of sovereigns into India, the quantity passed into the Paper Currency Reserve from the hands of importers in the first 10 months of 1913 showed a decrease of 11,061,000l. as compared with the same period of 1912. But the quantity returned into the reserve from internal circulation showed an increase of 3,742,000l. At the same time the total gross issues showed an increase of 5,388,000l. The interesting feature is the large increase in the return of sovereigns from circulation. It is true that it has been accompanied by a large increase in the issues of sovereigns to the public; but the rate of growth in the return of sovereigns from circulation has been greater than in the amount of the gross issues, whether we compare the two for the first 10 months of 1912 and of 1913 (increase in return from circulation, 43·5 per cent.; increase in gross issues, 33·8 per cent.) or whether we go back for three years and make the comparison with the first 10 months of 1910 (increase in return from circulation, 490·7 per cent.; in gross issues, 205·4 per cent.).

The figures seem to confirm the view that gold is going to an increasing extent into active circulation in India, and also to indicate that owing, perhaps, to some diminution in the practice of hoarding, the stock in circulation and in the currency reserve tends to become somewhat more self-supporting and less dependent for its maintenance on imports from abroad.

November 1913.

**COMPARISON between the PERIODS January—October 1912 and January—October 1913 (10 months) (SUMMARY).**

*I.—Trade Figures.*

	1912.	1913.	Increase (+) or Decrease (-) in 1913 as compared with 1912.
Net exports of Indian merchandise	- - -	£ 54,397,949	£ 38,724,526 - 15,673,423
Gold bullion (a) (b)	- - -	6,394,438	7,505,429 + 1,110,991
Silver bullion (b)	- - -	2,967,851	2,817,105 -- 150,746
Net imports of	{	Government paper	566,113 514,694 - 51,419
		Council bills	22,459,253 23,310,962 + 851,709
		Sovereigns	19,551,157 8,159,505 - 11,391,652

*II.—Currency Figures.*

Gross receipts of sovereigns	{ from importers	19,150,000	8,089,000	- 11,061,000
at Government Treasuries,	{ by return from circu-	8,604,000	12,346,000	+ 3,742,000
&c. in India	lation.			
Total	- - - - -	27,754,000	20,435,000	- 7,319,000
Gross issues	- - - - -	15,948,000	21,336,000	- 5,388,000
Net receipts (+) or issues (-)	- - - - -	+11,806,000	- 901,000	- 12,807,000

(a) Including coin other than British.

(b) On private account only.

## TRADE AND CURRENCY FIGURES.

Comparison between the periods January–October 1912, and  
January–October 1913 (ten months).

## DETAILED TABLES.

Month.	Net Exports of Merchandise.			Net Imports of Bullion* and net Imports of Gold Coin* (other than British).		
	1912.	1913.	Increase +, or Decrease —, in 1913 as compared with 1912.	1912.	1913.	Increase +, or Decrease —, in 1913 as compared with 1912.
January	£ 3,235,226	£ 3,847,020	+ £ 611,794	£ 502,719	£ 605,425	+ £ 102,706
February	— 8,290,554	— 7,117,882	— £ 1,172,672	— 902,291	— 892,257	— 10,034
March	— 8,628,365	— 5,070,332	— £ 3,558,033	— 996,945	— 987,303	— 9,642
April	— 4,904,564	— 4,275,066	— £ 629,498	— 786,742	— 778,761	— 7,981
May	— 6,343,169	— 3,581,512	— £ 2,761,657	— 853,500	— 892,981	+ 39,481
June	— 6,749,161	— 3,779,300	— £ 2,969,861	— 355,954	— 865,231	+ 509,277
July	— 6,133,590	— 4,105,593	— £ 2,027,997	— 276,391	— 563,738	+ 287,347
August	— 3,712,027	— 1,050,733	— £ 2,661,294	— 411,228	— 490,605	+ 79,377
September	— 2,528,458	— 2,090,388	— £ 438,070	— 703,782	— 676,061	— 27,721
October	— 3,877,835	— 3,806,700	— £ 71,135	— 604,886	— 753,067	+ 148,181
<b>Totals</b>	<b>— 54,397,949</b>	<b>— 38,724,526</b>	<b>— £ 15,673,423</b>	<b>— 6,394,438</b>	<b>— 7,505,429</b>	<b>+ £ 1,110,991</b>

(continued)

Month.	Net Imports of Silver.*			Rupee Paper transferred from England to India.		
	1912.	1913.	Increase +, or Decrease —, in 1913 as compared with 1912.	1912.	1913.	Increase +, or Decrease —, in 1913 as compared with 1912.
January	£ 101,208	£ 428,685	+ £ 327,477	£ 67,687	£ 29,327	— 38,360
February	— 580,465	— 292,725	— £ 287,740	— 81,380	— 27,613	— 53,767
March	— 16,123	— 562,983	— £ 546,760	— 102,187	— 27,740	— 129,927
April	— 250,332	— 420,795	— £ 170,463	— 27,773	— 10,260	— 17,513
May	— 610,179	— 144,420	— £ 465,759	— 51,067	— 82,893	+ 31,826
June	— 232,048	— 354,021	— £ 121,973	— 177,613	— 119,727	— 57,886
July	— 385,088	— 232,086	— £ 158,002	— 148,747	— 94,920	— 53,827
August	— 803,707	— 66,275	— £ 869,982	— 112,647	— 41,487	+ 154,134
September	— 157,366	— 409,632	— £ 566,998	— 23,953	— 55,500	+ 31,547
October	— 146,067	— 38,133	— £ 107,934	— 1,647	— 80,707	+ 82,354
<b>Totals</b>	<b>— 2,967,851</b>	<b>— 2,817,105</b>	<b>— £ 150,746</b>	<b>— 566,113</b>	<b>— 514,694</b>	<b>— 51,419</b>

(continued)

Month.	Remittances by means of Secretary of State's Drawings.			Net Imports of Sovereigns.*		
	1912.	1913.	Increase +, or Decrease —, in 1913 as compared with 1912.	1912.	1913.	Increase +, or Decrease —, in 1913 as compared with 1912.
January	£ 5,542,503	£ 4,060,723	— £ 1,481,780	£ 2,954,216	£ 3,421,495	+ £ 467,279
February	— 3,053,610	— 3,533,516	+ £ 479,906	— 4,277,225	— 1,159,100	— 3,118,125
March	— 2,418,817	— 1,554,128	— £ 864,689	— 2,711,589	— 809,875	— 1,901,714
April	— 1,651,526	— 2,740,100	+ £ 1,088,574	— 1,200,688	— 629,228	— 571,460
May	— 1,914,738	— 1,756,924	— £ 157,814	— 1,500,615	— 940,263	— 560,332
June	— 1,381,796	— 944,663	— £ 437,133	— 2,516,542	— 406,452	— 2,110,090
July	— 1,443,662	— 564,913	— £ 878,749	— 898,973	— 328,910	— 1,227,883
August	— 1,293,667	— 1,043,850	— £ 249,817	— 1,822,481	— 97,531	— 1,724,950
September	— 1,711,368	— 2,910,998	+ £ 1,199,630	— 923,926	— 90,251	— 833,675
October	— 2,047,566	— 4,201,147	+ £ 2,153,581	— 744,902	— 934,200	+ 189,298
<b>Totals</b>	<b>— 22,459,253</b>	<b>— 23,310,962</b>	<b>+ £ 851,709</b>	<b>— 19,551,157</b>	<b>— 8,159,505</b>	<b>— 11,391,652</b>

\* On private account only.

(continued)

Month.	Gross Receipts of Sovereigns at Government Treasuries, &c. in India.					
	From Importers.			By return from Circulation.		
	1912.	1913.	Increase +, or Decrease —, in 1913 as compared with 1912.	1912.	1913.	Increase +, or Decrease —, in 1913 as compared with 1912.
January -	£ 3,239,000	£ 3,264,000	+ 25,000	£ 945,000	£ 1,261,000	+ 316,000
February -	3,822,000	1,139,000	- 2,683,000	786,000	1,534,000	+ 748,000
March -	2,675,000	698,000	- 1,977,000	856,000	1,287,000	+ 431,000
April -	1,893,000	540,000	- 853,000	729,000	1,021,000	+ 292,000
May -	1,450,000	812,000	- 638,000	871,000	1,257,000	+ 386,000
June -	2,416,000	709,000	- 1,707,000	1,103,000	1,328,000	+ 225,000
July -	795,000	10,000	- 785,000	1,168,000	1,716,000	+ 548,000
August -	1,255,000	170,000	- 1,085,000	778,000	1,071,000	+ 293,000
September -	1,110,000	49,000	- 1,061,000	545,000	981,000	+ 436,000
October -	995,000	698,000	- 297,000	823,000	890,000	+ 67,000
Totals -	19,150,000	8,089,000	- 11,061,000	8,604,000	12,346,000	+ 3,742,000

(continued)

Month.	Gross Receipts of Sovereigns at Government Treasuries, &c. in India—continued.			Gross Issues of Sovereigns from Government Treasuries, &c. in India.		
	Total.					
	1912.	1913.	Increase +, or Decrease —, in 1913 as compared with 1912.	1912.	1913.	Increase +, or Decrease —, in 1913 as compared with 1912.
January -	£ 4,184,000	£ 4,525,000	+ 341,000	£ 1,810,000	£ 2,441,000	+ 631,000
February -	4,608,000	2,673,000	- 1,935,000	1,844,000	1,971,000	+ 127,000
March -	3,531,000	1,985,000	- 1,546,000	1,539,000	2,566,000	+ 1,027,000
April -	2,122,000	1,561,000	- 561,000	1,866,000	2,672,000	+ 806,000
May -	2,321,000	2,069,000	- 252,000	2,204,000	2,658,000	+ 454,000
June -	3,519,000	2,037,000	- 1,482,000	1,925,000	2,618,000	+ 693,000
July -	1,963,000	1,726,000	- 237,000	1,234,000	1,983,000	+ 749,000
August -	2,033,000	1,241,000	- 792,000	1,073,000	1,353,000	+ 280,000
September -	1,655,000	1,030,000	- 625,000	1,084,000	1,428,000	+ 344,000
October -	1,818,000	1,588,000	- 230,000	1,369,000	1,646,000	+ 277,000
Totals -	27,754,000	20,435,000	- 7,319,000	15,948,000	21,336,000	+ 5,388,000

(continued)

Month.	Net Receipts (+), or Issues (-)* of Sovereigns.		
	1912.		1913.
January -	£ + 2,374,000		£ + 2,084,000
February -	£ + 2,764,000		£ + 702,000
March -	£ + 1,992,000		£ - 581,000
April -	£ + 256,000		£ - 1,111,000
May -	£ + 117,000		£ - 589,000
June -	£ + 1,594,000		£ - 581,000
July -	£ + 729,000		£ - 257,000
August -	£ + 960,000		£ - 112,000
September -	£ + 571,000		£ - 396,000
October -	£ + 449,000		£ - 58,000
Totals -	£ + 11,806,000		£ - 901,000

\* The issues do not include the withdrawal, by Government, of a quantity (approximately 450,000/-) of light-weight sovereigns for shipment to England.

## APPENDIX XLVIII.

LETTER FROM THE LATE MR. CHUNILAL D. SARAIYA, LATE MANAGING DIRECTOR OF THE INDIAN SPECIE BANK, TO THE SECRETARY OF THE COMMISSION, EXPLAINING HIS VIEWS ON THE QUESTIONS REFERRED TO THE COMMISSION.

SIR,

Bombay, 14th November 1913.

I AM sorry I could not attend to give evidence before the Commission on account of the recent crisis in the Bombay money market.

I beg to send herewith my views on the various points under enquiry.

The Secretary, I have the honour to be,

Indian Finance and

Sir,

Currency Commission,

Your most obedient servant,

India Office, Whitehall, S.W.

CHUNILAL D. SARAIYA.

London.

*Preliminary Remarks.*

As the Indian Government has to meet home charges which are likely to increase every year, the Secretary of State is very anxious to sell Council bills at 1s.  $3\frac{3}{4}d$ . to 1s.  $4\frac{1}{2}d$ . The rate at which he sells his Councils clearly shows that he is not sure of having adequate resources to maintain Exchange. He has always shown extreme nervousness when a firm policy would have made wholesome effect on the rate of exchange.

The delay in selling bills in India on London when exchange was unfavourable did not impress the bankers and importers favourably as to the resources of Government being ample to support exchange. In the month of August 1913, with 21 millions gold in the paper currency and the Gold Standard Reserve Fund standing at the figure of 18 millions, large London balances and rains so far favourable over the whole of India, 20 lakhs of bills were sold weekly at 1s.  $3\frac{1}{16}d$ . Such a small allotment at that rate under the above-mentioned circumstances conclusively proves that the Government does not think that the existing resources are enough for the purpose of supporting exchange in case the balance of trade is against India.

The volume of trade in Indian exports and imports is increasing every year and a favourable exchange solely depends on the excess of exports over imports.

The following figures of 1911–12 are highest on record since 1905–6.

	Lakhs.
Gross exports of merchandise -	22,775
Gross imports of merchandise	<u>13,857</u>
Excess exports of merchandise over imports -	8,918

During the year, sale of Council bills amounted to 4,017 lakhs.

In the year 1908–09 the excess of exports over imports is the lowest on record since 1905–06 and they are as under :—

	Lakhs.
Gross exports of merchandise	15,303
Gross imports of merchandise	<u>12,127</u>
Surplus of exports over imports	3,176
Amount of Council bills sold -	802

You will observe from the above figures that all the Council bills required to be drawn for the payment of Home charges are not sold even when the balance of trade is in favour of India to the extent of Rs. 3,176 lakhs, and that a larger surplus of exports over imports than Rs. 3,176 lakhs is required for the purpose.

The present resources at the disposal of the Government for maintaining exchange are as under :—

	Lakhs.
Gold in London in Paper Currency	915
Gold in India in Paper Currency	2,522
Gold and Gold securities in the Gold Standard Reserve	2,720
 Total Gold and Gold securities	 5,152

If Government can finally solve the question of establishing exchange at 1s. 4d. by having sufficient Gold Reserves at their disposal, many other important questions such as the location and management of Government balances in India and London, establishment of a Central Bank, financial organisation of the India Office, &c., could be easily solved.

At present, whenever Government has to consider and decide the various important points in connection with currency and finance, the first consideration weighing in their mind is that they have to sacrifice other considerations and give precedence to their ability of maintaining exchange.

The Government of India is to be congratulated for the remarkable progress they have been able to make in establishing a Gold Standard as a whole, though mistakes may have been made in attaining the present position.

As the Government has been so far successful in establishing a Gold Standard, it is very important that Government should take further steps to command a position which can combat with two years of balance of trade being against India.

I base my evidence, bearing in mind the following points :—

1. There is a great necessity for a big bank to discount bills.
2. India wants lower Bank rates to stimulate its trade and industries.
3. Presidency Banks should be allowed access to London market.
4. The financial year of the Budget be altered from March to October.
5. There should be a Gold Mint in India.
6. Government will be able to solve more easily their currency difficulties if the masses were educated, and primary education be made free all over India, and compulsory in some towns.
7. It is not advisable to keep any gold in London belonging to the Paper Currency as it affects credit of note issue.
8. I want notes to circulate freely in India.
9. Gold hoards would not be a support to exchange in a crisis.
10. Gold in circulation will be a support to exchange in a crisis, as withdrawals of sovereigns from Paper Currency in a crisis will be less if there is gold in circulation already.
11. Gold in circulation will not be useful for purposes of export in a crisis.
12. More centres for encashment of currency notes are required.
13. No further investments either in sterling or rupee securities be made made for the next ten years, when the resources of Government for maintaining exchange could be considered.
14. A 10-rupee gold coin is no better than a sovereign.
15. I would make currency notes of Rupees 1,000 and 10,000 universal, and abolish all circle notes.
16. Workmen in India believe in metallic currency.
17. Payment by cheques will gradually displace the use of currency notes.
18. There should be no silver in the Gold Standard Reserve.
19. The Gold Standard Reserve should be allowed to increase as the volume of Indian trade is increasing.
20. Gold Standard Reserve should be under statutory regulation.
21. Gold Standard Reserve should be kept in India.
22. Profits on coinage are not to be diverted to railways or any other purpose.
23. Loans should be given in India.
24. Loans in India would not affect total sale of Council bills but would affect rate of bills sold.

25. Levy of additional duty on silver in 1909-10 was not mainly for the purpose of revenue, and it should be reduced to 5 per cent.
26. There is a necessity of more loanable capital in India.
27. Due weight ought to be attached in making recommendations in view of India—
  - (a) Having a large area.
  - (b) The population being less educated and civilised.
  - (c) Tendency of investing in gold and silver.
  - (d) More lively interest is taken in Government Returns of Paper Currency and Gold Standard Reserve during the past five years.
  - (e) Programme for railway and irrigation development has to be continued for several years.

*(1) The Location and Management of the General Balances of the Government of India.*

Owing to the windfall in opium revenue and favourable monsoons since 1909, the balances of the Government of India have been very large, and this year they are going down, as they are being used for capital expenditure on railways, &c. The Annual Sterling Loan was not raised on account of the unfavourable monetary condition of the London market.

I am in favour of holding more than normal balances at both the places, as the Indian Budget is a gamble in rain, as mentioned by Sir Guy Fleetwood Wilson. With annual programme of 15 crores for railway and irrigation, additional grants required for primary and secondary education and rural sanitation, it is a bad statesmanship to work with normal balances.

With the present state of London money market, if India had unfortunately a bad monsoon or serious frontier troubles, the position of the Indian Government would be very uncomfortable if they were working with normal balances.

Until sufficient sums have been spent during the course of the next 10 years on education and sanitation, as demanded by the Hon. Mr. Gokhale and other non-official members of the Imperial Legislative Council, it is not advisable to recommend remission of taxation except those which are in the interests of Indian trade and industry. I am, however, of opinion that the excise duty on cloth produced in Indian mills and duty on silver should be abolished at the earliest possible opportunity.

As the excessive cash balances are not to be made use of in meeting deficits of future budgets, they should be invested temporarily in the development of railways and irrigation works, and the Government should raise permanent Sterling or Rupee Loans for sums thus spent from surplus cash balances at the earliest opportunity, so that the Government may be in comfortable position to continue their annual programme of expenditure on railways, irrigation, education and sanitation.

When the Government of India has surplus balances over and above their requirements, they should lend first to Indian market; and after that want is satisfied, monies should be transferred to London and invested there.

The amount required in India will not be more than Rs. 10 crores during the busy season, as the Indian market is no doubt a narrow one. I do not believe that the lending of this sum of Rs. 10 crores will materially interfere with the sale of Council bills.

The amount to be lent should be on the security of Government paper and preference should be given to the Presidency Banks. If the Presidency Banks do not require this accommodation the sum should be advanced to approved borrowers, a list of which could be easily prepared in consultation with the Presidency Banks.

With extensive banking development all over India, the balances of the Government of India in district treasuries and sub-treasuries be placed at the credit of banks, preference being given to the Presidency Banks. In cases where the terms of the Presidency Banks do not suit Government, these balances should be placed with other banks and the advances secured by the deposit of Government securities.

The loans granted in London from the Government balances during the recent years have been rightly commented on. The Indian revenues have been remitted to London not only to discharge Home charges but to be lent to the London market, while the Bank rate rises to 8 per cent. in India and no effort is made to help Indian trade and industry from the transfer of these funds.

By loaning Government balances in India the average Bank rate will be lowered, especially the rates in busy season will not rise above 6 per cent., and there will be an increased demand of Government securities, thereby a larger issue of Rupee Loan could be floated at present rates.

*(2) The Sale in London of Council Bills and Transfers.*

These sales require modifications and should be made under definite regulations.

The original object of selling these bills was to provide home charges; and now these bills have been sold not only for home charges, but for purchase of railway materials, paying off permanent debt, purchase of silver, or ear-marking gold for the Paper Currency Department, Indian Branch of the Gold Standard Reserve, &c. I admit that all the measures taken are with the best of intentions to help export trade; but so much has been done in this quarter that the results go to show that Government has removed as much Indian State money as possible from India to London and has indirectly delayed the establishment of gold currency in India.

The Secretary of State has lost a good amount in difference of exchange by selling Council bills at cheaper rates. If sufficient Council bills had been sold to meet home charges, to meet the immediate payments by the Secretary of State, and if the Secretary of State waited to receive the full rate of specie point for the balance, I think he was in a position to dictate his terms; but his action in underselling Council bills from time to time fully leads one to believe that he is not sure of his position to maintain exchange and he takes every opportunity to see that he is well sold.

*(3) The Measures taken by the Indian Government and the Secretary of State for India in Council to maintain the exchange value of the Rupee in pursuance of or supplementary to the recommendations of the Indian Currency Committee of 1898.*

If the recommendations of the Indian Currency Committee had been adopted and a free gold mint had been opened, it would have encouraged circulation of sovereigns to a much larger extent by this time, and thus avoided the necessity of coining token silver coins as was done in 1905-1907. The sovereign is the proper coin for India as its circulation has increased considerably during the last three years. It is no use disturbing that circulation by adopting a different Indian 10-rupee gold coin. If there is a hitch in getting permission from the Royal Mint to coin English sovereigns, Indian sovereigns of the same size, weight, and fineness may be coined in the Indian Mint.

It may be argued that the mint will be doing no work as sufficient gold will not be tendered to keep the mint going and pay its expenses, but I am of opinion that a free gold mint should be provided for re-coining underweight sovereigns and for coining in India of gold bars such as are exported by banks to London. In India Government should encourage the use of gold coins in their daily transactions in their various departments.

*(4) The Location, Disposition, and Employment of the Gold Standard Reserve.*

*Location.*—It has been argued that the reserve in Gold Standard will be required in London to meet the drafts drawn in India on the Secretary of State, and it should therefore be kept in London.

It has been argued that keeping this fund in liquid gold is not desirable as it is not required to be used every year, and there will be loss of interest on the large sum remaining uninvested.

It has been argued that such and such a sum is enough for maintaining exchange and all profits over and above the sum fixed should be diverted for other purposes.

I say, that this reserve should have been held in gold and not in securities, that this gold should be kept in India and not in London, and no part of this reserve should be diverted to any other purpose as railway or irrigation development. If this reserve had been kept in gold from the beginning of this fund up to now, the Secretary of State would never have been so nervous to sell his Council bills at cheaper rates as he has been in the years from 1908 to 1913.

The exchange value of the rupee fluctuates in India as judged by traders and bankers in India, and if there was a reserve in gold in India the traders and bankers would have been very careful before depressing the rate of exchange. The gold that is to be kept in India belonging to this reserve is brought to India at the cost of exporters of produce. The Government has to pay the cost of shipping this gold back to London at the time of unfavourable exchange. I submit that this cost is so small compared with the higher rates of Council bills obtained by the Secretary of State on the strength of this reserve and the storing charges and commission paid to the Bank of England for the number of years it remains unused. This reserve is accumulated gradually, but it does not affect or disturb the London money market in the least.

*Composition.*—The reserve should be held in liquid gold and not in securities. The advantage in investing in securities is that they earn interest. Exchange begins to move downwards more on sentiment of the dealers and bankers to begin with, and the liquid gold will go a great deal to remove any misapprehension on the part of these dealers and bankers. The bankers, as they watch the market going down, have the impression on their minds that the Secretary of State will sell Council bills under 1-4 as his reserve is invested in securities, and he will not sell these securities unless he is compelled to do so, but if the reserve be held on in gold, the Secretary of State will at once begin to check the fall in exchange either by shipping this gold to London and not offering any Council bills unless he gets 1-4 and over.

There should be no silver bullion or coins held in this reserve either in London or India, as there is no benefit in keeping this apart from the Paper Currency Reserve.

*Employment.*—This reserve should be allowed to accumulate without any limit and no part of it should be diverted to any other purpose but for the maintenance of exchange. The Secretary of State does not believe that he has enough resources to maintain exchange, and if he was sure he would not sell bills under 1-4. It would not be right to fix a limit and divert a portion of this reserve for any other purpose. The consideration of diverting profits on coinage to railway and other development should be deferred for some years.

I do not think Government is well equipped at present even with 25 million sterling in this fund. All new accumulations should be kept in liquid gold in India. Securities now belonging to this fund should be gradually sold during the next five years and the proceeds of these securities be shipped to India in liquid gold.

### (5) *The Paper Currency Reserve.*

There is no reason why any gold belonging to this reserve should be kept in London. The cost of importing this gold in India is in the first instance paid by the exporter. It is only when this requires to be reshipped to London for the purchase of silver that the Government has to bear the shipping charges, and in that case if silver is required to be purchased immediately the sum required could easily be drawn by Council bills on the Paper Currency Office; but if the amount is not required immediately, the Bank of England charges for the storing of the gold, and so it is not profitable to keep this gold reserve in London.

The paper currency department admits of much further extension; note circulation will go on increasing with increasing trade, education and civilisation. It is a source of good income to the Government and requires to be handled with delicacy so that the expansion of note circulation may continue.

A clear statement published weekly showing note circulation, reserve held in rupees and sovereigns and Indian securities all held in India, will inspire more confidence than what it does when presented in the present form, that there is gold kept in reserve in London against notes circulating in India and that consols have been purchased from this reserve instead of Indian Government paper. Up to now very little interest was taken by merchants in these returns, but since the enlarged councils have been sitting and discussing the currency questions, more and more interest is taken by merchants in the various returns on Currency Gold Standard Reserve and Treasury balances, and I think it will be a fatal mistake to allow any prejudice to grow as to the paper currency reserves. I think the sterling securities ought to be sold at convenient times and gold earmarked for this reserve be transferred to India immediately and the statute altered accordingly.

If the note circulation increases and the fiduciary portion requires to be increased, it should be invested in rupee paper.

I am not in favour of lending out any monies from the paper currency in times of stringency, for the above reasons. I think the present expansion is due to the action of Government in not meddling with the reserves in any way. I do not think it advisable to transfer this department to any other institution started by private capital.

*(6) Whether the existing practice in these matters is conducive to the interests of India.*

The existing practice has been injurious to Indian interests generally, but was a source of great convenience to the export houses and Exchange Banks, and to the London money market and the approved borrowers.

Gold which would have come to India, has not been allowed to flow, and securities have been purchased in the Gold Standard Reserve.

If more gold had flowed, circulation would have been increased, but as every effort is made to prevent gold coming to India from the London market, people believed that Government did not want people to use gold for solid reasons, and they continued the use of rupees, which is a menace to the stability of exchange.

Since 1910, Government began to encourage the use of sovereigns, and they are seen more and more in use every year.

In financial matters, Indian interests are subordinated to powerful monetary interests in London.

*(7) The suitability of the financial organisation and procedure of the India Office.*

The business of the Secretary of State in financial matters has now developed to such a large extent, that no civilised Government has assumed duties of this magnitude, and the time is now ripe that there should be separate departments under the direction of experts employed for whole time. Until these duties are handed over to an institution, these experts should be as under :—

1. A London banker.
2. A civilian who had experience in financial department at headquarters, and who has worked for three years as Secretary or Finance Minister.
3. A retired secretary and treasurer of a Presidency Bank in India.

*(8) Central Bank Establishment.*

With the small banks in different parts of India, it is necessary that there should be a big bank capable of discounting bills.

The resources at the Presidency Banks are not ample enough to undertake this business during the busy season.

The existing banking facilities in India are not enough for the increasing volume of trade, and the result is that during the busy season high bank rates of interest have to be paid. These high bank rates continue at times for nearly six months in the year. The tendency of the rates of interest in India is lower during the past six years than in the previous years, but the

rates could be kept still lower by unlocking balances lying dormant with the Government in India. These high rates of interest act as a deterrent factor in the development of trade and industry, and it is desirable to find out means for discounting bills and lowering rates of interest during the busy season.

When the Presidency Banks were started and the Act was passed to regulate these banks, trade and industry were in their infancy. The balance sheets of these banks were very small compared with their present positions, and Government balances at the three Presidency Banks formed a good percentage of their total balance sheets. Things have changed during the past 25 years, yet the policy of Government and the Presidency Banks continue unchanged. Until a Central Bank is formed and all the Government balances are kept with that institution, Government balances could be utilised for trade purposes, either direct or through the agency of the Presidency Banks. In addition to the normal balances kept by Government with the Presidency Banks, Presidency Banks should be granted loans at 1 per cent. under bank rate on the security of bills discounted by them and at bank rate to approved borrowers on the security of  $3\frac{1}{2}$  per cent. Government Paper. I propose to lend to the Presidency Banks on bills and not on Government Paper as it will not suit them to borrow at 1 per cent. under bank rate on paper as they have to keep a certain proportion of cash to their liabilities. It will, however, be profitable to the Presidency Banks to borrow on the security of bills, the rate for which is, as a rule, 1 per cent. above bank rate.

As I have proposed to float annually a larger rupee loan in India and to make these rupee loans more popular, I believe, it is to the advantage of Government to lend on the security of  $3\frac{1}{2}$  per cent. Government Paper in sums of not less than five lakhs to banks and other approved borrowers.

As regards the Government treasuries and sub-treasuries the system at present is to encourage Presidency Banks to open out new branches by giving them minimum sums as deposits at branches for a fixed period, and yet it has not paid the Presidency Banks to take charge of all the principal treasuries. I recommend that Government should hand over all the remaining treasuries and sub-treasuries to such banks as are willing to enter into an agreement with them and the sums so kept with these banks be secured by the deposit of  $3\frac{1}{2}$  per cent. Government Paper. Government will thereby be able to unlock the balances from their treasuries and place them at the disposal of the banks for trade purposes and there will be no difficulty in recovering the amounts in case of any difficulty to meet withdrawals of Government at these treasuries, as these deposits are secured by gilt-edged securities.

#### (9) *Recommendations.*

1. The right of free gold coinage and open gold mint at Bombay.
2. British sovereigns should be coined at the Mint; if not, Indian sovereigns of exactly same size, weight, and fineness of British sovereigns.
3. The Government of India should encourage the use of gold coins.
4. No fresh rupees should be coined except for actual requirements.
5. Profits on coinage of silver should be kept quite apart in gold, and this reserve should be kept in India.
6. There should be a larger rupee loan raised in India at  $3\frac{1}{2}$  per cent.
7. Council bills be drawn only to meet Home charges and immediate purchases of silver.
8. The rate of Council bills should not be under 1s. 4d. in any case.
9. There should be more centres of Currency Offices, and all circle notes be abolished, and 1,000 and 10,000 rupee notes be made universal.
10. The cash balance of the Government of India be placed at the disposal of Indian trade.
11. The Government of India be allowed much greater freedom of action in matters of purely local concern.
12. The date of Budget be altered from March to October or November.